Original Application

Behavioral Health of Rocky Top

CN1705-015



State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, of	or Institution		
Behavioral Health of Rocky ∃	- op		
Name			
204 Industrial Park Road			Anderson
Street or Route			County
Rocky Top		TN	37769
City		State	Zip Code
Website address: Not applic Note: The facility's name and addr consistent with the Publication of I	ess <u>must be</u> the name	and address of the p	roject and <u>must be</u>
2. Contact Person Available f	or Responses to Que	stions	
		Δ (1	100
Kim H. Looney		Attorney	
Name		Title	Sucalla Many ages
Waller Lansden Dortch & Da	VIS LLP	Email addre	@wallerlaw.com
Company Name 511 Union Street, Suite 2700) Nashville	TN	37219
Street or Route	City	State	Zip Code
Attorney	Oity	615-850-8722	615-244-6804
Association with Owner		Phone Number	Fax Number

Section A is intended to give the applicant an opportunity to describe the project. **Section** B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

1. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

 Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Response: The applicant seeks to establish a mental health hospital with 18 beds, limited to geropsychiatric patient services, which will be licensed by the Tennessee Department of Mental Health and Substance Abuse Services ("TDMHSAS"). The applicant is a new provider and has no outstanding but unimplemented certificates of need. The applicant will lease space from Summit View of Rocky Top, a nursing home with 117 licensed beds. The number of licensed beds at the nursing home will not change as a result of this project. Although located in the same building, there will be no shared space between the nursing home and proposed project, and they will be separately licensed facilities. The geropsychiatric beds are considered new beds for the purposes of providing psychiatric services, and not a conversion of nursing home beds, even though the nursing home has excess bed capacity. Renovation required is minimal. The applicant is a new provider and has no outstanding but unimplemented certificates of need.

2) Ownership structure;

Response: The applicant is Behavioral Health of Rocky Top, and the owner is Behavioral Health of Rocky Top, LLC a Tennessee limited liability company. The owner/member of Behavioral Health of Rocky Top, LLC is Summit View Health Management, Inc.

3) Service area;

Response: The service area for the applicant includes Anderson, Campbell, Knox, Loudon, Morgan, Roane, Scott and Union Counties. The service area is reasonable; it includes the counties that are contiguous to Anderson, the location of the proposed geropsychiatric beds. Only Knox and Campbell Counties, as described below, have geropsychiatric beds.

4) Existing similar service providers;

Response: The only providers in the applicant's service area that offer geropsychiatric services are Parkwest Hospital in Knox County, which has 16 beds designated for geropsychiatric services, and Tennova LaFollette Hospital in Campbell County, with 10 geropsychiatric beds. According to the 2015 Joint Annual Report, Parkwest had an occupancy rate of 92.5% and LaFollette had an occupancy rate of 93.6%. Both of these facilities are generally full, with very limited ability to accept new patients at any given time.

5) Project cost;

Response: The applicant anticipates the project costs will be approximately \$1,160,500, including \$600,000 for lease costs for the facility and the land, \$298,500 for construction costs, \$92,000 for moveable equipment and \$75,000 for other expenses, including computers, software and miscellaneous items. The construction costs per square foot for the renovated space is \$75.39, which is below the 1st quartile for construction costs, according to the information published on the HSDA website.

6) Funding;

Response: The applicant anticipates receiving funding from US Bank and a funding letter is included. The estimated lease costs will be paid over the term of the lease and will be paid out of current operating revenues so are not included as part of the funding costs.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

Response: The applicant anticipates a positive financial margin in the first year of operation. The actual costs of the project are minimal since the beds are already in existence.

8) Staffing.

Response: The applicant anticipates staffing the unit with 10.75 clinical FTEs, including 4.5 RN, 1.0 LPN, 2.0 nurse aides, 1.0 LSW, 1.0 activities therapist, a contracted psychiatrist/medical director (1.0), contracted physical therapist (0.15), occupational therapist (0.05), and speech therapist (0.05).

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

Response: The population-based estimate of the total need for psychiatric inpatient services is a guideline of 30 beds per 100,000 population. Because the elderly population exhibits psychiatric disorders or issues at a higher rate than the younger population cohorts, this means that the need for psychiatric services for the elderly may be underestimated when the formula is applied to that particular population. Applying the population-based methodology to the population aged 65 and older shows a need for 41.5 geropsychiatric beds in 2017. There are currently 26 geropsychiatric beds in the service area, for a net need for 16 beds in 2017. In 2019, the need increases to 44.5 beds or a net need of 19 beds. By the year 2021, the need increases to 47.6 beds or a net need of 22 beds. Because you cannot provide services in a partial bed, net need has been rounded up to the nearest whole number.

The population aged 65 and older is expected to grow 15% between 2017 and 2021, which also supports the need for additional beds. The applicant feels there is a need for at least 18 additional geropsychiatric beds in its service area in 2021. The applicant plans to accept involuntary admissions. Further supporting the need for additional beds is the lack of a crisis stabilization unit available as an alternative to inpatient psychiatric care in the service area. A crisis response team operated as part of the Helen Ross McNabb, a not-for-profit provider of behavioral health services in Knoxville, is utilized in order to assess patients for CON for commitment. The closest state facility is Moccasin Bend in Chattanooga.

2) Economic Feasibility;

Response: The applicant anticipates the project costs will be approximately \$1,160,500, including \$600,000 for lease costs for the facility and the land, \$298,500 for construction costs, \$92,000 for moveable equipment and \$75,000 for other expenses, including computers, software and miscellaneous items. The construction costs per square foot for the renovated space is \$75.39, which is below the 1st quartile for construction costs, according to the information published on the HSDA website. The actual costs of the project are minimal since the beds are already in existence. With renovation costs below the lowest quartile, the project is economically feasible in terms of the cost of the project. The applicant anticipates generating a positive cash flow in the first full year of operation.

3) Appropriate Quality Standards; and

Response: The applicant will ensure that appropriate quality standards are developed and implemented for this patient population. The entity that will be providing management services is familiar with the elderly patient population, as it also provides management services for two area nursing homes, and therefore has the expertise to assist the applicant with this endeavor.

4) Orderly Development to adequate and effective health care.

Response: Additional geropsychiatric services are clearly needed in the applicant's proposed service area. The applicant will initiate services in Anderson County, and has included all of the contiguous counties in its service area. The elderly patient population is a fragile patient population that is rapidly growing in the applicant's service area; it is expected to grow 15% between 2017 and 2021. This project should have no impact on any other provider in the applicant's service area because the limited services that are available are operating at capacity. With the exception of Parkwest in Knox County, with 16 geropsychiatric beds, and Tennova LaFollette in Campbell County, with 10 beds, there are no other geropsychiatric beds in the service area. Both of these facilities operate at high rates of occupancy according to the 2015 Joint Annual Report, with Parkwest at 92.5% and LaFollette at 93.6%. These high occupancy rates mean that beds for geropsychiatric services in the applicant's service area are generally not available.

The fact that all of the beds at the existing facilities are semi-private is an exacerbating circumstance. While it is generally the most effective and medically appropriate way to provide geropsychiatric services, it is necessary to separate patients by gender, and sometimes by diagnosis, so that all empty beds are not always available. In addition, a smaller number of beds makes it more challenging as well.

The applicant plans to have 16 semi-private beds and 2 private beds.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

Response: Not applicable.

4. SECTION A: PROJECT DETAILS

,			
A.	Owner of the Facility, Agency or Institution		
	Behavioral Health of Rocky Top, LLC Name 204 Industrial Park Road	2	865-675-6444 Phone Number Anderson
	Street or Route		County
	Rocky Top	TN	37769
	City	State	Zip Code
В.	Type of Ownership of Control (Check One)		
	B. Partnership C. Limited Partnership D. Corporation (For Profit)	 F. Government (State of TN or Political Subdivision) G. Joint Venture H. Limited Liability Compan I. Other (Specify) 	
Sec Sec	ach a copy of the partnership agreement, or stence. Please provide documentation of the cretary of State's web-site at https://tnbear.tn.g	active status of the entity from the control of the	om the Tennessee aspx. Attachment
	sponse: See copy of Organizational Docu achment A-4A.	iments and Organizational (Chart included as
stru the ent	scribe the existing or proposed ownership structure organizational chart. Explain the corporate ownership structure relate to the applicant. As a sity and each member's percentage of ownership, irect) interest.	e structure and the manner in applicable, identify the membe	which all entities of rs of the ownership
5.	Name of Management/Operating Entity (If Ap	oplicable)	
	Summit View Health Management, Inc.		
	Name		
	10805 Harding Drive		Knox
	Street or Route	TN	County 37923
	<u>Knoxville</u> City	State	Zip Code
	City	State	Zip Code
	Website address: Not applicable.		8
Foi	new facilities or existing facilities without a co	urrent management agreement	t, attach a copy of
a d to b me	raft management agreement that at least include, be provided, the anticipated term of the agreement thodology and schedule. For facilities with existing executed final contract. Response: Please se	s the anticipated scope of man nt, and the anticipated manage ng management agreements, a	agement services ment fee payment attach a copy of the
1 '4",	, chocatos mar comacos recepcines.		

Attachment Section A-5.

A. Ownership B. Option to Purchase C. Lease of 5 Years D. Option to Lease E. Other (Specify)

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements <u>must include</u> anticipated purchase price. Lease/Option to Lease Agreements <u>must include</u> the actual/anticipated term of the agreement <u>and</u> actual/anticipated lease expense. The legal interests described herein <u>must be valid</u> on the date of the Agency's consideration of the certificate of need application.

Response: See copy of Option to Lease included as Attachment A-6A.

- 6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. <u>DO NOT SUBMIT BLUEPRINTS</u>. Simple line drawings should be submitted and need not be drawn to scale.
 - 1) Plot Plan must include:
 - a. Size of site (in acres);
 - b. Location of structure on the site;
 - c. Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.

Response: The size of the site is 4.39 acres, and the location of the structure is identified on the site. Streets that cross or border the site includes US Highway 25 West. See plot plan included as <u>Attachment 6B-1</u>.

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 ½ by 11 sheet of paper or as many as necessary to illustrate the floor plan.

Response: Sixteen of the patient care rooms will be semi-private and two will be private. See floor plan included as Attachment 6B-2.

3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

Response: While there is no public transportation in Rocky Top, it is located close to I75, just a few miles off Exit 128, making it conveniently located for those patients who are expected to seek services from the applicant, and their family members who will visit them.

7.	Type of Institution (Check as appropriatemore than one response may apply)
	A. Hospital (Specify)
8.	Purpose of Review (Check) as appropriatemore than one response may apply)
	A. New Institution B. Replacement/Existing Facility C. Modification/Existing Facility D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) psychiatric E. Discontinuance of OB Services F. Acquisition A. New Institution X G. Change in Bed Complement [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] H. Change of Location I. Other (Specify) I. Other (Specify)
9.	Medicaid/TennCare, Medicare Participation
	MCO Contracts [Check all that apply] Response: Not applicable; new provider. AmeriGroupUnited Healthcare Community PlanBlueCareTennCare Select
	Medicare Provider Number: To be applied for
	Medicaid Provider Number: To be applied for
	Certification Type:geropsychiatric If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?
	Medicare X_YesNoN/A Medicaid/TennCare X_YesNoN/A

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1) Medical				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU			ě!			
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric	0	0	18	0	0	18
Child/Adolescent Psychiatric	_				5.1	
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency				-		
13) Long-Term Care Hospital						
14) Swing Beds			2:			
15) Nursing Home – SNF (Medicare only)			-R			1
16) Nursing Home – NF (Medicaid only)						
 Nursing Home – SNF/NF (dually certified Medicare/Medicaid) 						
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL	0	0	18	0	0	18
*Beds approved but not yet in s	service **	Beds exen	npted under 1	0% per 3 year	provision	

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below. Response: Not applicable.

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved
N/A		7707

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: Response: N/A

	Existing	Parent	Proposed		Existing	Parent	Proposed
	Licensed	Office	Licensed		Licensed	Office	Licensed
	County	County	County		County	County	County
Anderson				Lauderdale			
Bedford				Lawrence			
Benton				Lewis		<u> </u>	
Bledsoe				Lincoln			
Blount				Loudon			
Bradley				McMinn			
Campbell				McNairy			
Cannon				Macon			
Carroll				Madison			
Carter				Marion			
Cheatham				Marshall			
Chester				Maury			
Claiborne				Meigs			
				Monroe			
Clay							
Cocke				Montgomery			
Coffee				Moore			
Crockett				Morgan			
Cumberland				Obion			
Davidson				Overton			
Decatur				Perry			
DeKalb				Pickett			
Dickson				Polk			
Dyer				Putnam			
Fayette				Rhea			
Fentress				Roane			
Franklin				Robertson			
Gibson				Rutherford			
Giles				Scott			
Grainger				Sequatchie			
Greene				Sevier			
Grundy				Shelby			
Hamblen				Smith			
Hamilton				Stewart			
Hancock				Sullivan			
Hardeman				Sumner			
Hardin				Tipton			
Hawkins				Trousdale			
Haywood				Unicoi			
Henderson				Union			
Henry				Van Buren			
Hickman				Warren			
Houston				Washington			
Humphreys				Wayne			
Jackson				Weakley			
Jefferson				White			
Johnson				Williamson			
Knox				Wilson			
				4 4113011	AGADONIA NOVA	000000000000000000000000000000000000000	
Lake							

12. Square Footage and Cost Per Square Footage Chart

	Friedrich Friedrich T	_	Proposed	Proposed Final Square Footage			
Unit/Department	Existing Location	Existing SF	Temporary Location	Final Location	Renovated	New	Total
Residents Room	2,208			2,208			
Admin/Ancillary				3,959	3,959		
Lounge	276			276			1)))
Corridors	1,000			1,000			
Dining and Reception Rooms	350		-	350	F 185		
					a in		
				3	ø		
		-					
Unit/Department GSF Sub-Total			T .	7,793			
Other GSF Total							
Total GSF			:=			,	
*Total Cost					\$298,500		
**Cost Per Square Foot					\$75.39		
2			×		X Below 1 st Quartile	☐ Below 1 st Quartile	☐ Below 1 st Quartil
Cost po	er Square F	oot Is Within	Which Range		□ Between 1 st and 2 nd Quartile	□ Between 1 st and 2 nd Quartile	☐ Betwee 1 st and 2 ^r Quartile
(For quartile rar		refer to the tn.gov/hsda	Applicant's Tool)	box on	□ Between 2 nd and 3 rd Quartile	□ Between 2 nd and 3 rd Quartile	□ Betwee 2 nd and 3 Quartile
				uction Cost ro	□ Above 3 rd Quartile	☐ Above 3 rd Quartile	☐ Above 3 rd Quarti

^{*} The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

^{**} Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs. NOTE: ONLY THE SPACE LISTED AS RENOVATED INCLUDES RENOVATION COSTS. The remaining space requires only paint and safety ready changes.

13. MRI, PET, and/or Linear Accelerator

- 1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
- 2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:
- A. Complete the chart below for acquired equipment. Response: N/A

r			
	Linear Accelerator	Mev	□ SRS □ IMRT □ Types: IGRT □ Other □ By
			Purchase
		Total Coatt	
		Total Cost*:	□ By Expected Useful Life
		- N.f	Lease (yrs)
		□ New	□ Refurbished □ If not new, how old?
			(yrs)
			□ Breast □ Extremity
	MRI		□ Open □ Short Bore
		Tesla:	Magnet: Other
- 55			□ By Purchase
		Total Cost*:	□ By Expected Useful Life
			Lease (yrs)
		□ New	□ Refurbished □ If not new, how old?
			(yrs)
	PET	□ PET only	□ PET/CT □ PET/MRI
			□ By Purchase
		Total Cost*:	□ By Expected Useful Life
			Lease (yrs)
		□ New	□ Refurbished □ If not new, how old?
		_ ,,,,,,	(yrs)
			()10/

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

Response: Not applicable.

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

Response: Not applicable.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)		
Mobile Locations		
(Applicant)		
(Name of Other Location)		

E. Identify the clinical applications to be provided that apply to the project.

Response: Not applicable.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

Response: Not applicable.

4842-6777-0949.15

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at http://www.tn.gov/hsda/article/hsda-criteria-and-standards.

PSYCHIATRIC INPATIENT SERVICES

1. **Determination of Need:** The population-based estimate of the total need for psychiatric inpatient services is a guideline of 30 beds per 100,000 general population, using population estimates prepared by the TDH and applying the applicable data in the Joint Annual Report (JAR). These estimates represent gross bed need and shall be adjusted by subtracting the existing applicable staffed beds including certified beds in outstanding CONs operating in the area as counted by the TDH in the JAR. For adult programs, the age group of 18-64 years shall be used in calculating the estimated total number of beds needed; additionally, if an applicant proposes a geriatric psychiatric unit, the age range 65+ shall be used. For child inpatients, the age group is 12 and under, and if the program is for adolescents, the age group of 13-17 shall be used. The HSDA may take into consideration data provided by the applicant justifying the need for additional beds that would exceed the guideline of 30 beds per 100,000 general population. Special consideration may be given to applicants seeking to serve child, adolescent, and geriatric inpatients. Applicants may demonstrate limited access to services for these specific age groups that supports exceeding the guideline of 30 beds per 100,000 general population. An applicant seeking to exceed this guideline shall utilize TDH and TDMHSAS data to justify this projected need and support the request by addressing the factors listed under the criteria "Additional Factors".

Response: Applying the population-based formula for psychiatric services of 30 beds per 100,000 population aged 65 and older in the service area shows a need for 41.5 geropsychiatric beds in 2017. There are currently 26 geropsychiatric beds in the service area, so there is net need for 16 beds for the service area population aged 65 and older. In 2019, that need increases to 44.5 beds, or a net need of 19 beds. In 2021, the need increases to 47.6 beds, or a net need of 22 beds. Because you cannot provide services in a partial bed, net need has been rounded up to the next closest whole number for purposes of this analysis. Because the formula generally underestimates

the need for the geriatric population, the applicant feels there is a need for at least 18 additional geropsychiatric beds in the service area in 2021. The population aged 65 and older is expected to grow 15% between 2017 and 2021, which also increases demand for additional beds. Please see the table below which identifies the need for additional beds in the service area between 2017, and 2021.

Service Area Bed Need

		2017	7			2019	3			202	1	
	Pop.	Gross Need	Beds	Net Need	Pop.	Gross Need	Beds	Net Need	Pop.	Gross Need	Beds	Net Need
Service Area	138,454	41.5	26	15.5 (16)	148,417	44.5	26	18.5 (19)	158,746	47.6	26	21.6 (22)

Source: Tennessee Department of Health projected population data: 2017, 2019, and 2021.

- 2. Additional Factors: An applicant shall address the following factors:
 - a. The willingness of the applicant to accept emergency involuntary and nonemergency indefinite admissions;

Response: The applicant plans to accept involuntary admissions.

b. The extent to which the applicant serves or proposes to serve the TennCare population and the indigent population;

Response: The applicant will be a certified TennCare provider, but because of the age of the patient population served, anticipates that the overwhelming majority of its patients will be Medicare, and any TennCare patients will most likely be crossover patients.

c. The number of beds designated as "specialty" beds (including units established to treat patients with specific diagnoses);

Response: The beds are all "specialty" beds and will be limited to geropsychiatric services.

d. The ability of the applicant to provide a continuum of care such as outpatient, intensive outpatient treatment (IOP), partial hospitalization, or refer to providers that do;

Response: The applicant plans to focus its efforts on inpatient geropsychiatric services and plans to refer to other providers who can provide outpatient, IOP, or partial hospitalization services, when those services are warranted.

e. Psychiatric units for patients with intellectual disabilities;

Response: The applicant does not serve this patient population.

f. Free standing psychiatric facility transfer agreements with medical inpatient facilities;

Response: The applicant plans to have transfer agreements with area acute care hospitals including Tennova Lafollette Hospital, Methodist Oak Ridge, and Tennova in Knoxville.

g. The willingness of the provider to provide inpatient psychiatric services to all populations (including those requiring hospitalization on an involuntary basis, individuals with co-occurring substance use disorders, and patients with comorbid medical conditions); and

Response: The applicant is unable to provide geropsychiatric services for individuals with co-occurring substance use disorders. As to patients with comorbid medical conditions, identified either when patients present or that become necessary after admission, the applicant will either arrange for treatment on site, or transfer the patient for further medical treatment, depending on which condition is more urgent. The applicant is anywhere from 12 to 21 miles away from the 3 closest hospitals. The applicant will have a nurse practitioner on site 5 days a week and on-call the remainder of the time, so limited medical conditions can be treated on site.

h. The applicant shall detail how the treatment program and staffing patterns align with the treatment needs of the patients in accordance with the expected length of stay of the patient population.

Response: The applicant staffs its treatment programs in accordance with the needs of its patients and their expected lengths of stay.

- i. Special consideration shall be given to an inpatient provider that has been specially contracted by the TDMHSAS to provide services to uninsured patients in a region that would have previously been served by a state operated mental health hospital that has closed.
- j. Response: Not applicable.
- k. Special consideration shall be given to a service area that does not have a crisis stabilization unit available as an alternative to inpatient psychiatric care.

Response: There is not a crisis stabilization unit available as an alternative to inpatient psychiatric care in the service area. Rather, a crisis response team operated as part of Helen Ross McNabb, a not-for-profit provider of behavioral health services in Knoxville, is utilized in order to assess patients for CON for commitment. The closest state facility is Moccasin Bend in Chattanooga.

3. Incidence and Prevalence: The applicant shall provide information on the rate of incidence and prevalence of mental illness and substance use within the proposed service area in comparison to the statewide rate. Data from the TDMHSAS or the Substance Abuse and Mental Health Services Administration (SAMHSA) shall be utilized to determine the rate. This comparison may be used by the HSDA staff in review of the application as verification of need in the proposed service area.

Response: The 16-county region occupied by the service area, Region 2, accounts for nearly 18% of all CY 2015 admissions for persons 26 or older to regional mental health institutes and private psychiatric hospitals that contract with the Tennessee Department of Mental Health and Substance Abuse Services ("TDMHSAS") respectively, per the 2016 TDMHSAS Behavioral Health County and Region Services Data Book. Admissions in Region 2 have steadily been on the rise from 1.9 per 1,000 population to 2.3 per 1,000 population in CY 2015. Admission rates in the 8 county service area include: Anderson (3.7), Campbell (3.8), Knox (2.5), Loudon (1.4), Morgan (2.9), Roane (3.6), Scott (2.4) and Union (1.2) counties. With the exception of Loudon and Union counties, all service area counties are above the admissions average in Region 2.

Anderson County, the location of this proposed project has the highest admission rate, at 3.7, in the service area.

4. **Planning Horizon**: The applicant shall predict the need for psychiatric inpatient beds for the proposed first two years of operation.

Response: The applicant anticipates there is a need for at least 18 more geropsychiatric beds in the service area for the first two years of operation based on the population-based need estimate described in more detail in response to Question B1.

5. **Establishment of Service Area**: The geographic service area shall be reasonable and based on an optimal balance between population density and service proximity of the applicant. The socio-demographics of the service area and the projected population to receive services shall be considered. The proposal's sensitivity and responsiveness to the special needs of the service area shall be considered, including accessibility to consumers, particularly women, racial and ethnic minorities, low income groups, other medically underserved populations, and those who need services involuntarily. The applicant may also include information on patient origination and geography and transportation lines that may inform the determination of need for additional services in the region.

Response: The geographic service area is reasonable. It includes all counties that are contiguous to Anderson County, where the facility will be located. The geropsychiatric beds will be located in renovated nursing home beds in a facility located in Anderson County. There are only 2 facilities in the service area that provide geropsychiatric inpatient services, and they are generally full, operating at occupancy rates of 93.6% for Tennova LaFollette, and 92.5% for Parkwest in Knoxville according to the 2015 Joint Annual Report. The applicant anticipates that the majority of its admissions will come from residents of the service area as well as referrals from area nursing homes and hospitals. The applicant treats all patients regardless of sex, race or ethnicity, and income. The applicant will also treat all patients who are medically appropriate for the unit, even if they are under the age of 65.

6. Composition of Services: Inpatient hospital services that provide only substance use services shall be considered separately from psychiatric services in a CON application; inpatient hospital services that address co-occurring substance use/mental health needs shall be considered collectively with psychiatric services. Providers shall also take into account concerns of special populations (including, e.g., supervision of adolescents, specialized geriatric, and patients with comorbid medical conditions). The composition of population served, mix of populations, and charity care are often affected by status of insurance, TennCare, Medicare, or TriCare; additionally, some facilities are eligible for Disproportionate Share Hospital payments based on the amount of charity care provided, while others are not. Such considerations may also result in a prescribed length of stay.

Response: The applicant plans to provide services to geropsychiatric patients; it does not treat any other age population for psychiatric services other than the occasional patient who is less than age 65, but is appropriate for admission to a geropsychiatric unit. Because the age of the patients it treats is almost exclusively over the age of 65, the applicant's payor mix is expected to be 98% Medicare patients.

7. Patient Age Categorization: Patients should generally be categorized as children (0-12), adolescents (13-17), adults (18-64), or geriatrics (65+). While an adult inpatient psychiatric service can appropriately serve adults of any age, an applicant shall indicate if they plan to only serve a portion of the adult population so that the determination of need may be based on that age-limited population. Applicants shall be clear regarding the age range they intend to serve;

given the small number of hospitals who serve younger children (12 and under), special consideration shall be given to applicants serving this age group. Applicants shall specify how patient care will be specialized in order to appropriately care for the chosen patient category.

Response: Although the applicant will primarily serve the population age 65+, care will also be provided to a few patients ages 55-64 who are appropriate for a geropsychiatric unit, generally because of their condition. Summit View Health Management ("SVHM") provides management services for both Summit View of Rocky Top in Anderson County and Summit View of Farragut in Knox County, which are both nursing homes. SVHM plans to provide management services for the applicant.

8. **Services to High-Need Populations**: Special consideration shall be given to applicants providing services fulfilling the unique needs and requirements of certain high-need populations, including patients who are involuntarily committed, uninsured, or low-income.

Response: The applicant plans to serve patients who are involuntarily committed. Because it is a geropsychiatric unit, 98% of the patients are expected to be Medicare patients.

9. Relationship to Existing Applicable Plans; Underserved Area and Populations: The proposal's relationships to underserved geographic areas and underserved population groups shall also be a significant consideration. The impact of the proposal on similar services in the community supported by state appropriations shall be assessed and considered; the applicant's proposal as to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, shall also be assessed and considered. The degree of projected financial participation in the Medicare and TennCare programs shall be considered.

Response: The elderly patient population is a fragile patient population that is rapidly growing in the applicant's service area. This project should have no impact on any other provider in the applicant's service area because the limited services that are available are operating at capacity. The applicant plans to accept involuntary admissions. Approximately 98% of its payer mix is expected to be Medicare.

The fact that all of the beds at current area facilities are semi-private is an exacerbating circumstance. The applicant plans 16 semi-private and 2 private beds. While it is generally the most effective and medically appropriate way to provide geropsychiatric services, it is necessary to separate patients by gender, and sometimes by diagnosis, sometimes leaving empty beds that are not available for occupancy. In addition, a smaller number of beds makes complete utilization more challenging. By 2021, demand for geriatric psychiatric beds is expected to increase in part due to a 15% growth rate in the target population in the applicant's service area.

10. Relationship to Existing Similar Services in the Area: The proposal shall discuss what similar services are available in the service area and the trends in occupancy and utilization of those services. This discussion shall also include how the applicant's services may differ from existing services (e.g., specialized treatment of an age-limited group, acceptance of involuntary admissions, and differentiation by payor mix). Accessibility to specific special need groups shall also be discussed in the application.

Response: There are only limited psychiatric services available in the service area, and even fewer dedicated to geropsychiatric services. Ridgeview Psychiatric Hospital and Center, located in Oak Ridge, has a 16 bed psychiatric unit, but it does not treat geropsychiatric

patients. Methodist Medical Center of Oak Ridge does not have any psychiatric beds. Tennova Healthcare - LaFollete Medical Center, in Campbell County, 12.2 miles away, has a 10 bed psychiatric unit, which treats geriatric patients. Tennova Healthcare in Knox County has 23 adult psychiatric beds, but no geropsychiatric beds, and ParkWest in Knox County, is approximately 20 miles away, has 16 geropsychiatric beds. The applicant plans to open and operate a geropsychiatric unit with 18 beds. The treatment of adult and geriatric psychiatric patient populations is very different. Facilities which treat the adult patient population are not appropriate for the geriatric patient population and the limited geriatric services available are operating at capacity.

Utilization in the Service Area Geropsychiatric Beds

			2013			2014			2015	
Facility	Beds	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.
Parkwest	16	5,172	14.2	88.6%	5,462	15	93.5%	5,394	14.8	92.5%
LaFollette	10	3,425	9.4	93.8%	3,350	9.2	91.8%	3,418	9.4	93.6%

Source: Tennessee Department of Health Joint Annual Report of Hospitals: 2013, 2014, 2015.

11. Expansion of Established Facility: Applicants seeking to add beds to an existing facility shall provide documentation detailing the sustainability of the existing facility. This documentation shall include financials, and utilization rates. A facility seeking approval for expansion should have maintained an occupancy rate for all licensed beds of at least 80 percent for the previous year. The HSDA may take into consideration evidence provided by the applicant supporting the need for the expansion or addition of services without the applicant meeting the 80 percent threshold. Additionally, the applicant shall provide evidence that the existing facility was built and operates, in terms of plans, service area, and populations served, in accordance with the original project proposal.

Response: Not applicable.

12. Licensure and Quality Considerations: Any existing applicant for this CON service category shall be in compliance with the appropriate rules of the TDH and/or the TDMHSAS. The applicant shall also demonstrate its accreditation status with the Joint Commission, the Commission on Accreditation of Rehabilitation Facilities (CARF), or other applicable accrediting agency. Such compliance shall provide assurances that applicants are making appropriate accommodations for patients (e.g., for seclusion/restraint of patients who present management problems, and children who need quiet space). Applicants shall also make appropriate accommodations so that patients are separated by gender in regards to sleeping as well as bathing arrangements. Additionally, the applicant shall indicate how it would provide culturally competent services in the service area (e.g., for veterans, the Hispanic population, and LBGT population).

Response: The applicant anticipates it will be licensed by the Department of Mental Health and Substance Abuse Services and accredited by the Joint Commission. The applicant plans to make appropriate accommodations for patients and provide separate sleeping and bathing arrangements based on gender. The applicant will also provide services in accordance with any cultural variations in its patient population.

13. Institution for Mental Disease Classification: It shall also be taken into consideration whether the facility is or will be classified as an Institution for Mental Disease (IMD). The criteria and

formula involve not just the total number of beds, but the average daily census (ADC) of the inpatient psychiatric beds in relation to the ADC of the facility. When a facility is classified as an IMD, the cost of patient care for Bureau of TennCare enrollees aged 21-64 will be reimbursed using 100 percent state funds, with no matching federal funds provided; consequently, this potential impact shall be addressed in any CON application for inpatient psychiatric beds.

Response: The applicant will focus on geropsychiatric services to patients 65 and older, with only a minimal number of patients covered by TennCare. As such, this criteria should not present a concern, as it is not anticipated that the facility will be classified as an IMD.

14. Continuum of Care: Free standing inpatient psychiatric facilities typically provide only basic acute medical care following admission. This practice has been reinforced by Tenn. Code Ann. § 33-4-104, which requires treatment at a hospital or by a physician for a physical disorder prior to admission if the disorder requires immediate medical care and the admitting facility cannot appropriately provide the medical care. It is essential, whether prior to admission or during admission, that a process be in place to provide for or to allow referral for appropriate and adequate medical care. However, it is not effective, appropriate, or efficient to provide the complete array of medical services in an inpatient psychiatric setting.

Response: The applicant anticipates providing geropsychiatric services only after medical conditions have been treated. In the event a medical condition arises which cannot be treated by its nurse practitioner, it will transfer the patient to the nearest appropriate medical facility.

15. **Data Usage**: The TDH and the TDMHSAS data on the current supply and utilization of licensed and CON-approved psychiatric inpatient beds shall be the data sources employed hereunder, unless otherwise noted. The TDMHSAS and the TDH Division of Health Licensure and Regulation have data on the current number of licensed beds. The applicable TDH JAR provides data on the number of beds in operation. Applicants should utilize data from both sources in order to provide an accurate bed inventory.

Response: The only geropsychiatric beds available in the applicant's 8 county service area includes the 16 geropsychiatric beds at ParkWest and the 10 adult/geropsychiatric beds provided at Tennova - LaFollette Hospital. While there are 16 adult beds at Ridgeview and 23 adult beds at Tennova, these beds are not interchangeable, as the adult patients and the geriatric patients require very different treatment to meet their psychiatric needs. Utilization according to the 2015 JAR was 92.5% for Parkwest and 93.6% for Tennova LaFollette, indicating limited capacity for additional patients, and frequently no capacity.

16. Adequate Staffing: An applicant shall document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise, and retain the appropriate numbers of qualified personnel to provide the services described in the application and that such personnel are available in the proposed Service Area. Each applicant shall outline planned staffing patterns including the number and type of physicians. Additionally, the applicant shall address what kinds of shifts are intended to be utilized (e.g., 8 hour, 12 hour, or Baylor plan). Each unit is required to be staffed with at least two direct patient care staff, one of which shall be a nurse, at all times. This staffing level is the minimum necessary to provide safe care. The applicant shall state how the proposed staffing plan will lead to quality care of the patient population served by the project. However, when considering applications for expansions of existing facilities, the HSDA may determine whether the existing facility's staff would continue without significant change and thus would be sufficient to meet this standard without a demonstration of efforts to recruit new staff.

Response: The applicant anticipates providing staffing sufficient for the needs of its patient census at that time. Staff will be scheduled for either 8- or 12-hour shifts with an emphasis on attracting the highest quality talent available while meeting staffing needs. The clinical staff will be appropriately trained to provide high quality of care. The management entity for the applicant also provides services for two area nursing homes so it is well versed in staffing needs for the elderly patient population, and able to ensure the provision of high quality care. The applicant does not anticipate any issues in recruiting trained staff. It will work with its management entity on recruiting the necessary staff. The applicant will meet all necessary licensing and accrediting agency staffing requirements.

17. Community Linkage Plan: The applicant shall describe its participation, if any, in a community linkage plan, including its relationships with appropriate health care system providers/services and working agreements with other related community services assuring continuity of care (e.g., agreements between freestanding psychiatric facilities and acute care hospitals, linkages with providers of outpatient, intensive outpatient, and/or partial hospitalization services). If they are provided, letters from providers (e.g., physicians, mobile crisis teams, and/or managed care organizations) in support of an application shall detail specific instances of unmet need for psychiatric inpatient services. The applicant is encouraged to include primary prevention initiatives in the community linkage plan that would address risk factors leading to the increased likelihood of Inpatient Psychiatric Bed usage.

Response: Applicant anticipates receiving referrals from area nursing homes, assisted living centers, physicians, and hospitals. The management entity for the nursing homes, which will also manage the geropsychiatric hospital, states that it is increasingly difficult to find geropsychiatric services because the limited facilities in the service area frequently operate at capacity.

18. Access: The applicant must demonstrate an ability and willingness to serve equally all of the patients related to the application of the service area in which it seeks certification. In addition to the factors set forth in HSDA Rule 0720-11-.01(1) (listing the factors concerning need on which an application may be evaluated), the HSDA may choose to give special consideration to an applicant that is able to show that there is limited access in the proposed service area.

Response: The applicant will treat all those patients who are appropriate for the geropsychiatric services that it will provide. The applicant will provide the only geropsychiatric services in Anderson County, and only limited geropsychiatric services are available in the service area.

19. Quality Control and Monitoring: The applicant shall identify and document its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system. An applicant that owns or administers other psychiatric facilities shall provide information on their surveys and their quality improvement programs at those facilities, whether they are located in Tennessee or not.

Response: The applicant will report such data as required by the HSDA. The applicant does not own or operate any other geropsychiatric facilities in Tennessee or otherwise.

20. **Data Requirements**: Applicants shall agree to provide the TDH, the TDMHSAS, and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to report that data in the time and format requested. As a standard of practice, existing data reporting streams will be relied upon and adapted over time to collect all needed information.

Response: The applicant shall provide the TDH, the TDMHSAS and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to provide that data in the time and format requested.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

Response: The applicant is a new provider. The manager of the applicant also manages two nursing homes in the service area. Given its manager's experience with the nursing home population, and that this proposal will provide services to the same age population, the applicant feels this proposed project is a good fit and will allow more of this fragile elderly population to receive necessary health care services.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment – Section – Need-3.**

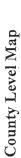
Response: The applicant anticipates that the service area will consist of Anderson, Campbell, Knox, Loudon, Morgan, Roane, Scott and Union Counties, from which it will receive essentially all of its admissions. Anderson County is the site of the proposed geropsychiatric unit. The unit will be located in beds that are currently located within the footprint of Summit View of Rocky Top, an area nursing home. The nursing home has excess bed capacity. The beds are not a conversion of beds, but new beds for geropsychiatric services because the nursing home and the applicant do not have the same owner. Summit View Health Management is expected provide the management services for both the nursing home and the applicant.

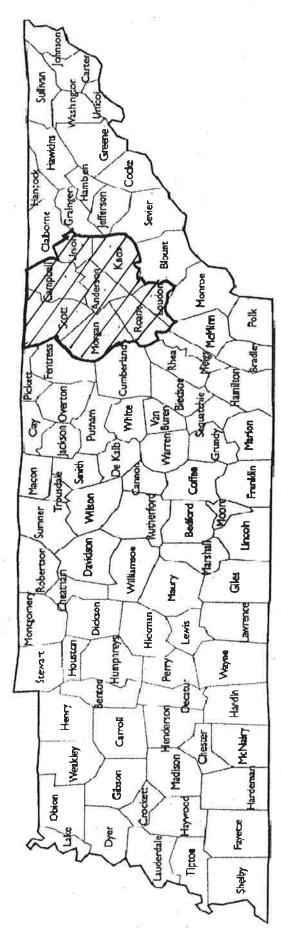
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1	N/A	N/A
County #2	N/A	N/A
Etc.		
Total	N/A	N/A

Service Area Counties	Projected Utilization Year 1-County Residents	% of total procedures
Anderson	679	29.5%
Campbell	76	3.3%
Knox	1,212	52.7%
Loudon	152	6.6%
Morgan	23	1%
Roane	124	5.4%
Scott	18	0.8%
Union	16	0.7%
Total	2,300	100%

Response: Please see the county level service area map which identifies the applicant's proposed 8 county service area.





A. 1) Describe the demographics of the population to be served by the proposal.

2) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: http://www.tn.gov/health/article/statistics-population

TennCare Enrollment Data: http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder: http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

m.		Dej	partment o	of Health/Heal	th Statistics			Bureau of the Census Tenn				TennC	Care
Demographic Variable/Geographic Area	Total Population- Current Year	Total Population- Projected Year	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverfy Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Anderson	78,026	79,397	1.8%	16,061	17,982	12.0%	22.6%	43.2	42,880	13,502	17.9%	16,406	21.0%
Campbell	41,559	41,839	0.7%	8,902	9,983	12.1%	23.9%	43.0	32,028	9,203	23.2%	13,157	31.7%
Knox	472,075	494,508	4.8%	72,869	83,650	14.8%	16.9%	37.3	48,701	69,061	16.0%	78,712	16.7%
Loudon	55,192	58,798	6.5%	15,808	18,639	17.9%	31.7%	46.5	51,107	7,185	14.4%	9,416	17.1%
Morgan	23,626	24,498	3.7%	4,119	4,733	14.9%	19.3%	40.8	39,049	4,185	22.7%	4,734	20.0%
Roane	55,813	56,430	1.1%	13,068	15,008	14.8%	26.6%	46.1	40,854	9,620	18.4%	11,831	21.2%
Scott	22,976	23,305	1.4%	3,902	4,398	12.7%	18.9%	38.6	30,246	5,903	27.3%	7,957	34.6%
Union	20,020	20,412	2.0%	3,725	4,353	16.9%	21.3%	41.0	37,351	4,036	21.5%	5,266	26.3%
Service Area Total	769,287	799,187	3.7%	138,454	158,746	12.8%	19.9%	N/A	N/A	122,695	15.9%	147,119	19.1%
State of TN Total	6,887,572	7,179,512	4.2%	1,333,025	1,312,118	15,8%	18.3%	38.4	45,219	1,117,594	17.6%	1,480,077	21.5%

^{*} Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The expected management entity of the applicant, Summit View Management, Inc., provides services to an elderly population through its management of two nursing homes located in the applicant's service area - Summit View of Rocky Top, in Anderson County, and Summit View of Farragut in Knox County. As such, it is familiar with the health care needs of this population. The demographics of the service area population show that the population age 65 and older is expected to increase 15% between 2017 and 2021. With the exception of Knox, Anderson and Loudon counties, all of the other counties, which are more rural, have a higher percentage of persons below the poverty level than the state average. The median household income is less than the state average in all counties except Knox and Loudon. The median age in the service area is higher than the state in all counties, except Knox.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: Please see table below for utilization for the geropsychiatric beds in the applicant's service area. Utilization has been steady for the past few years, at close to or above 90%. Occupancies this high in bed units as small as these means these units are generally full, with very limited available capacity.

Utilization in the Service Area Geropsychiatric Beds

			2013			2014			2015	
Facility	Beds	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.
Parkwest	16	5,172	14.2	88.6%	5,462	15	93.5%	5,394	14.8	92.5%
LaFollette	10	3,425	9.4	93.8%	3,350	9.2	91.8%	3,418	9.4	93.6%

Source: Tennessee Department of Health Joint Annual Report of Hospitals 2013, 2014, 2015.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Since this is a new facility, there is no utilization or occupancy statistics for the past three years. The applicant has projected utilization of 2,300 patient days or 35% occupancy for the first year of operation and 3,650 patient days or 56% occupancy for the second full year of operation, increasing to 70% the third full year of operation. In addition, the population based methodology for psychiatric services for the 65 and older patient population identifies a need for 15.5 beds in 2017 and a need for 21.6 beds in 2021. Since you cannot implement a partial bed, rounding the numbers up means a need for 16 beds in 2017, increasing to 22 beds in 2021. Based on this data alone, the applicant feels there

is a need for at least 18 geropsychiatric beds at its proposed facility. In addition, there is a lack of available geropsychiatric beds in the service area, and the limited beds available are frequently at occupancy and unable to accept new patients. As this is a particularly fragile patient population, there is a need to treat them as close to home as possible.

ECONOMIC FEASIBILITY

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

Response: Please see Project Costs chart. The applicant anticipates that the cost of the project will be \$1,160,500, including the filing fee of \$15,000. Over half of the costs are for rent, which will be paid out of current operating revenues. The renovation costs are only \$298,500, or \$75.39/square foot, which is less than the 1st quartile of construction costs identified by the HSDA, renovated.

B. The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response: The applicant anticipates that the cost of the lease for the building will be \$600,000, inclusive of the building and the land. This is the same amount of rent, on a per square foot basis, that is being paid by the nursing home. The rent expense will be paid out of current operating revenue.

C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Response: There are no maintenance agreements for equipment.

D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

Response: Please see construction costs included on the square footage chart and the projected cost chart of \$298,500.

- E. For projects that include new construction, modification, and/or renovation—<u>documentation must be</u> provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - 1) A general description of the project;
 - 2) An estimate of the cost to construct the project;
 - 3) A description of the status of the site's suitability for the proposed project; and
 - 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Response: Please see letter from ANF Architects included as Attachment C, Economic Feasibility-E.

PROJECT COST CHART

				Augus Pages
A.	Con	struction and equipment acquired by purchase	: :	
	1.	Architectural and Engineering Fees		\$50,000
	2.	Legal, Administrative (Excluding CON Filing Consultant Fees	g Fee),	\$30,000
	3.	Acquisition of Site		
	4.	Preparation of Site		
	5.	Total Construction Costs		\$298,500
	6.	Contingency Fund		
÷1	7.	Fixed Equipment (Not included in Construc	tion Contract)	
	8.	Moveable Equipment (List all equipment ov separate attachments)	er \$50,000 as	\$92,000
	9.	Other (Specify) Computers, Software, Misc	c. Items	\$75,000
B.	Acq	uisition by gift, donation, or lease:		
	1.	Facility (inclusive of building and land)		\$600,000
	2.	Building only		
	3.	Land only		
	4.	Equipment (Specify)		
	5.	Other (Specify)		
C.	Fina	ncing Costs and Fees:		
	1.	Interim Financing		
	2.	Underwriting Costs		
	3.	Reserve for One Year's Debt Service		
	4.	Other (Specify)		
D_{α}	Esti	mated Project Cost		
	(A+	B+C)		
				\$1,145,500
E.	(CON Filing Fee		\$15,000
F≅	-	Total Estimated Project Cost		*
	(D+E)	TOTAL	\$1,160,500

(Document	applicable item(s) below and briefly summarize how the project will be financed. ation for the type of funding MUST be inserted at the end of the application, in the ha/numeric order and identified as Attachment C, Economic Feasibility-2.)
		Commercial loan — Letter from lending institution or guarantor stating favorable initial contact, can amount, expected interest rates, anticipated term of the loan, and any restrictions or
	stating favo	Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority brable initial contact and a conditional agreement from an underwriter or investment banker to the issuance;
	C. appropriate	General obligation bonds – Copy of resolution from issuing authority or minutes from the meeting;
	D.	Grants – Notification of intent form for grant application or notice of grant award;
	E. providing th	Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization ne funding for the project and audited financial statements of the organization; and/or
	F.	Other – Identify and document funding from all other sources.

2. Identify the funding sources for this project.

3. Complete Historical Data Charts on the following two pages—<u>Do not modify the Charts provided or submit Chart substitutions!</u>

Response: Please see letter from U.S. Bank included as <u>Attachment C, Economic Feasibility, 2-A</u>. Funding does not include the lease costs as those will be paid for out of the current operating revenues.

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

Response: Since the applicant is a new provider, there is no Historical Data Chart.

HISTORICAL DATA CHART - Total Facility
Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in (Month). Response: Not applicable.

			Year Year	Year	Year
Α.		zation Data (Specify unit of measure, e.g., 1,000 patient days,			
В.		visits) renue from Services to Patients			•
	1.	Inpatient Services	\$	\$	\$
	2.	Outpatient Services		*	2
	3.	Emergency Services			
	4.	Other Operating Revenue (Specify)			
		Gross Operating Revenue	\$	\$	\$
C.	Dec	luctions from Gross Operating Revenue		Ψ	· — —
	1.	Contractual Adjustments	\$	\$	\$
	2.	Provision for Charity Care			
	3.	Provisions for Bad Debt	-		
		Total Deductions	\$	\$	\$
NET	OPE	RATING REVENUE	\$	\$	\$
D.	Оре	erating Expenses			
	1.	Salaries and Wages			
		a. Direct Patient Care			
	77	b. Non-Patient Care			
	2.	Physician's Salaries and Wages		D	
	3.	Supplies			
	4.	Rent a. Paid to Affiliates		(e)	6
		b. Paid to Non-Affiliates			
	5.	Management Fees: a. Paid to Affiliates	H.	// 	
		b. Paid to Non-Affiliates			: : : : : : : : : : : : : : : : : : :
	6.	Other Operating Expenses		7	
		Total Operating Expenses	\$	\$	\$
E.	Ear	nings Before Interest, Taxes and Depreciation	\$\$	\$	\$
F.	Nor	n-Operating Expenses			
	1.	Taxes	\$	\$	\$
	2.	Depreciation		·	
	3.	Interest			
	4.	Other Non-Operating Expenses		THE STATE OF THE S	
		Total Non-Operating Expenses	\$	\$	\$
NET	INC	OME (LOSS)	\$	\$	\$

NE	INCOME (LOSS)	\$	\$ \$
G.	Other Deductions		
	1. Annual Principal Debt Repayment	\$	\$ \$
	2. Annual Capital Expenditure	,—————	(
	Total Other Deductions	\$	\$ \$
	NET BALANCE	\$	\$ \$
	DEPRECIATION	\$	\$ \$
	FREE CASH FLOW (Net Balance + Depreciation)	\$	\$ \$

□ Total Facility
□ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES - N/A

OT	HER EXPENSES CATEGORIES		Year	Year	Year
[‡] 1.	Professional Services Contract		\$	\$	\$
2.	Contract Labor			-/ 	•
3.	Imaging Interpretation Fees	Š.			
4.					
5.					
6.					
7.				=::	
	Total Other Expenses		\$	\$	\$

4. Complete Projected Data Charts on the following two pages – <u>Do not modify the Charts provided or submit Chart substitutions!</u>

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

Response: Please see Projected Data Chart on the following page for the project only. Since this is a new facility, there is only one Projected Data Chart.

PROJECTED DATA CHART

□ Total Facility X Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in

(Month).

si.	1.6.41		Year 2018	Year 2019
A.		zation Data (Specify unit of measure, e.g., 1,000 patient days, visits)	2,300	3,650
B.	Rev	enue from Services to Patients		
	1.	Inpatient Services	\$2,070,000	\$3,285,000
	2.	Outpatient Services		
	3.	Emergency Services		
	4.	Other Operating Revenue (Specify)	,	
		Gross Operating Revenue	\$2,070,000	\$3,285,000
C.	Ded	luctions from Gross Operating Revenue		<u> </u>
	1.	Contractual Adjustments	\$57,500	\$92,775
	2.	Provision for Charity Care		
	3.	Provisions for Bad Debt	\$7,981	\$15,961
		Total Deductions	\$65,481	\$108,736
NET	OPER	RATING REVENUE	\$2,004,519	\$3,176,264
D.	Ор	erating Expenses		
	1.	Salaries and Wages		
		a. Direct Patient Care	\$439,400	\$439,400
		b. Non-Patient Care	\$263,588	\$263,588
	2.	Physician's Salaries and Wages	\$312,000	\$312,000
	3.	Supplies		· · · · · · · · · · · · · · · · · · ·
	4.	Rent a. Paid to Affiliates	\$120,000	\$120,000
	_	b. Paid to Non-Affiliates		-
	5.	Management Fees: a. Paid to Affiliates	\$111,169	\$222,338
		b. Paid to Non-Affiliates		
	6.	Other Operating Expenses	\$ 677,011	\$ 1,354,023
		Total Operating Expenses	\$1,923,168	\$2,711,349
E. F.		rnings Before Interest, Taxes and Depreciation	\$81,351	\$464,915
۲.	No 1.	n-Operating Expenses Taxes	\$25,079	\$41,799
	2.	Depreciation	Ψ23,013	Ψ+1,199
	3.	Interest		<u> </u>
	4.	Other Non-Operating Expenses	X	*
	-Τ.	Total Non-Operating Expenses	\$25,079	\$41,799
NET	INCO	ME (LOSS)	\$56,272	\$ 423,116
		art Continues Onto Next Page	1:	

NET	INCC	DME (LOSS)	\$	\$
G.	Othe	er Deductions		
	1.	Estimated Annual Principal Debt Repayment	\$	\$
	2.	Annual Capital Expenditure		
		Total Other Deductions	\$	\$
		NET BALANCE	\$56,272	\$ 423,116
		DEPRECIATION	<u> </u>	\$\$
25		FREE CASH FLOW (Net Balance + Depreciation)	\$56,272	\$ 423,116
				====

□ Total Facility X Project Only

PROJECTED DATA CHART-OTHER EXPENSES

OTH	ER EXPENSES CATEGORIES	Year	Year
1.	Plant and Maintenance	\$ 42,450	\$ 84,900
2.	Clinical	\$263,433	\$526,865
3.	Laundry	\$6,169	\$12,339
4.	Ancillary	\$117,807	\$235,615
5.	Administration & General	\$247,152	\$494,304
6.			
7.			
	Total Other Expenses	\$ 677,011	\$ 1,354,023

5. A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous	Current	Year	Year	% Change (Current
A THE SAME SHOULD BE SAME AS A SAME OF THE	Year	Year	One	Two	Year to Year 2)
Gross Charge (Gross Operating	N/A	N/A	\$900	\$900	No Change
Revenue/Utilization Data)					
Deduction from Revenue (Total	N/A	N/A	\$25	\$25	No Change
Deductions/Utilization Data)					
Average Net Charge (Net					
Operating Revenue/Utilization	N/A	N/A	\$875	\$875	No Change
Data)					

B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response: The project is a new facility so there are no current charges to adjust as a result of the implementation of the proposal. The applicant anticipates a gross charge of \$900 in Year One and Year 2 and an average net charge of \$875.

C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: Please note that since this is a new unit, the applicant is unable to compare proposed charges to the Medicare allowable by CPT Code. The information is only available for Parkwest and not for LaFollette.

2015 Comparative Gross Charges in the Service Area For Geriatric Psychiatric Inpatient Care

	Admissions	Patient Days	Gross IP Charges	Avg. Gross Charge Per Day	Avg. Gross Charge Per Admission	Avg. Length of Stay
Parkwest	461	4,896	\$7,621,358	\$1,556.65	\$16,532.23	10.6

6. A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. NOTE: Publicly held entities only need to reference their SEC filings.

Response: The applicant anticipates that projected utilization rates will be sufficient to produce a positive cash flow in Year 1. There are no balance sheet and income

statements as this is a new entity. Please see <u>Attachment C, Economic Feasibility</u> for the balance sheet and income statement for Summit View Health Management, Inc., which is the majority owner of the applicant LLC.

B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	N/A	N/A	N/A	4%	14.6%

C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

Response: Not applicable. Neither the applicant nor its owner have any long-term debt. The funding is being provided through a commercial loan.

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Response: Please see table below which identifies applicant's projected payor mix by gross operating revenue and as a percentage of total revenue.

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$2,028,600.00	98%
TennCare/Medicaid	\$20,700.00	1%
Commercial/Other Managed Care	\$20,700.00	1%
Self-Pay	-0-	-0-
Charity Care	-0-	-0-
Other (Specify)	-0-	-0-
Total	\$2,070,000.00	100

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Response: Since this is a new provider, there is no current staffing. Please see following table for FTEs, average wage, and area-wide/statewide average wage.

Position Classification	Existing FTEs	Projected FTEs Year 1	Average Wage (Contractual Rate)	Areawide / Statewide Average Wage
Direct Patient Care Positions				
Nursing Staff - RN	N/A	4.5	\$26.00	\$27.69
Nursing Staff - LPN	N/A	1.0	\$18.00	\$17.87
Nursing Staff - Nurse Aid	N/A	2.0	\$12.00	\$11.22
Licensed Social Worker	N/A	1.0	\$16.00	\$14.80
Activities Therapist	N/A	1.0	\$20.00	\$19.00
Total Direct Patient Care Positions	N/A	9.5	N/A	N/A
Total Direct Patient Care Positions	IN/A		IN/A	IN/A
Non-Patient Care Positions				
Administrator	N/A	1.0	\$48.08	\$67.38 (chief exec.)
Director of Nursing	N/A	1.0	\$40.86	\$39.82 (medical and health services manager)
HR (Staffing/Orientation Coordinator)	N/A	0.5	\$20.19	\$24.00
Community Educator/Marketing	N/A	1.0	\$20.19	Not available
Medical Records	N/A	0.5	\$15.00	\$16.74
Total Non-Patient Care Positions	N/A	4.0	N/A	N/A

Total Employees	N/A	13.5	N/A	N/A
	CONTRACTOR OF THE PARTY OF THE			
Contracted Staff				
	STERRENES			
Physician/Medical Director Services	N/A	1.0	\$150.00	N/A
Physical Therapist	N/A	.15	\$65.00	\$41.07
Occupational Therapist	N/A	.05	\$65.00	\$39.82
Speech Therapist	N/A	.05	\$65.00	\$34.04
Total Contracted Staff	N/A	1.25	N/A	N/A
	Waster and the			
Total Staff	N/A	14.75	N/A	N/A

- 9. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - A. Discuss the availability of less costly, more effective and/or mo re efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

Response: There are no less costly, more effective and/or more efficient methods of providing the benefits intended. The beds were built as nursing home beds, so are built to appropriate health care standards. This project does not involve new construction, but renovation of about half of the space to be used to provide geropsychiatric services. The remaining half of the space will not require significant renovation, but only painting and ensuring that the space is safely ready for this fragile patient population.

B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

Response: Not applicable.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Response: The applicant anticipates transfer agreements with the following hospitals: Methodist Oak Ridge, Tennova LaFollette, and Tennova Knox-West Farragut.

2. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

A. Positive Effects

Response: The approval of this application will allow essential health care resources to be provided to a fragile elderly population. Only limited resources are available for geropsychiatric services and what beds are available are generally full - with occupancy rates in excess of 90%. There are only 26 beds available and the bed need formula shows a net need for between 16 and 22 from 2017 to 2021. Clearly the 18 beds proposed by the applicant are needed and will have only positive effects on both the patient population proposed to be served as well as other area facilities, who are unable to meet the needs of the elderly for geropsychiatric services.

B. <u>Negative Effects</u>

Response: There are no negative effects as a result of this proposal. There are limited beds available for geropsychiatric services, and what beds are available are generally full. Thus, these proposed beds are not a duplication of services, and the applicant anticipates only minimal, if any, effect on other providers in the service area.

3. A. Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

Response: The applicant anticipates providing staffing sufficient for the needs of its patient census at that time. Registered nurses, licensed practical nurses, and nurse aides will work in either 8 or 12-hour shifts, depending on what is needed to attract the most qualified staff. The clinical staff will be appropriately trained to provide high quality of care. The management entity for the applicant also provides services for two area nursing homes so it is well versed in staffing needs for the elderly patient population, and able to ensure the provision of high quality care. The applicant does not anticipate any issues in recruiting trained staff. It will work with its management entity on recruiting the necessary staff. The applicant will meet all necessary licensing and accrediting agency staffing requirements.

B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and

programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

Response: The applicant understands all state required licensing and/or certification requirements.

C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: Two nursing homes in Anderson and Knox Counties - Summit View of Rocky Top and Summit View of Farragut - both managed by Summit View Health Management, Inc participate in training programs. The applicant anticipates participating in several training programs, including residency programs for psychiatrists and nursing programs. The applicant has had discussions with the Dean for the University of Tennessee School of Nursing, and she is very interested in having her students participate in training at the proposed facility should it be approved.

4. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Response: Tennessee Department of Mental Health and Substance Abuse Services.

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

Response: Medicare and TennCare certified.

Accreditation (i.e., Joint Commission, CARF, etc.):

Response: The Joint Commission.

A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

Response: Not applicable.

B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response: Not applicable.

C. Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

Response: None

1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Response: N/A

- 5. Respond to all of the following and for such occurrences, identify, explain and provide documentation:
 - A. Has any of the following:
 - 1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
 - 2) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
 - 3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

Response: None.

- B. Been subjected to any of the following:
 - 1) Final Order or Judgment in a state licensure action;

Response: None

Criminal fines in cases involving a Federal or State health care offense;

Response: None.

3) Civil monetary penalties in cases involving a Federal or State health care offense;

Response: None.

4) Administrative monetary penalties in cases involving a Federal or State health care offense;

Response: None.

5) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

Response: None.

6) Suspension or termination of participation in Medicare or Medicaid/TennCare programs. 4842-6777-0949.15

Response: None.

7) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

Response: None.

8) Is presently subject to a corporate integrity agreement.

Response: None.

- 6. Outstanding Projects:
 - A. Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

	Project Name	<u>Date</u> <u>Approved</u>	*Annual Progress Report(s)		Expiration
CON Number			<u>Due Date</u>	Date Filed	Date
Not applicable					

^{*}Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

Response: Not applicable.

B. Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response: Not applicable.

- 7. Equipment Registry For the applicant and all entities in common ownership with the applicant.
 - A. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

Response: Not applicable.

B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

Response: Not applicable.

C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

Response: Not applicable.

QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

Response: The applicant will report annually on Agency forms the continued need and appropriate quality measures, as required.

STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at http://www.tn.gov/health/topic/health-planning). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the <u>5 Principles for Achieving Better Health</u> found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

Response: As the service area population ages and its mental health needs increase, inpatient units such as this are needed to replace diminished State commitments to maintaining inpatient campuses in major cities. The location of these units closer to the residents they serve also makes them more accessible.

2. People in Tennessee should have access to health care and the conditions to achieve optimal health.

Response: This unit focuses on the elderly patient aged 65 and older, for whom Medicare assistance is available. This ensures reasonable accessibility to needed care, but only if there are sufficient beds to meet local demands. Behavioral Health of Rocky Top filed this application to avoid encountering increased numbers of days in which beds are not available for geropsychiatric services for service area patients.

3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

Response: Geropsychiatric inpatient care is provided in the applicant's service area only by Tennova LaFollette Hospital in Campbell County and Parkwest in Knox County, and only 26 beds are available. The bed need formula shows a need for an additional 22 beds by the year

- 2021. This project seeks to meet the need for additional geropsychiatric services for this fragile elderly patient population.
- 4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Response: The applicant anticipates it will be licensed by the Tennessee Department of Mental Health and Substance Abuse Services and fully accredited by the Joint Commission.

5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

Response: Just as the nursing homes managed by Summit View participate in training programs, the applicant anticipates participating in several training programs, including residency programs for psychiatrists, and nursing programs. The applicant has had conversations with the Dean for the University of Tennessee School of Nursing and the Dean is very interested in exploring training opportunities should this project be approved.

Participation in training programs will help in recruiting and retaining a sufficient and quality health workforce. In addition, Summit View is familiar with staffing needs for this elderly and fragile patient population.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

Response: Please see proof of publication showing publication occurred in the Oak Ridger on May 9, 2017.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
- 2. If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	<u>Days</u> Required	Anticipated Date [Month/Year]
Initial HSDA decision date		8/17
Architectural and engineering contract signed	30	9/17
Construction documents approved by the Tennessee Department of Health	90	12/17
Construction contract signed	30	1/18
5. Building permit secured	30	2/18
6. Site preparation completed	7	3/18
7. Building construction commenced	-0-	3/18
8. Construction 40% complete	90	6/18
9. Construction 80% complete	100	10/18
10. Construction 100% complete (approved for occupancy	30	11/18
11. *Issuance of License	30	12/18
12. *Issuance of Service	0	12/18
13. Final Architectural Certification of Payment	0	12/18
14. Final Project Report Form submitted (Form HR0055)	30	1/19

^{*}For projects that <u>DO NOT</u> involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Kim H. Looney , being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, et seq., and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

SIGNATURE/TITLE

Sworn to and subscribed before me this 12th day of May, 2017 a Notary Public in and for the County/State of Tennessee.

NOTARY/PUBLIC

My commission expires: January 8, 2019



Attachment - Section A-4A

Organizational Documents Organizational Chart



Division of Business Services Department of State

State of Tennessee 312 Rosa L. Parks AVE, 6th FL Nashville, TN 37243-1102

Behavioral Health of Rocky Top, LLC 10805 HARDING DR KNOXVILLE, TN 37932-3240

March 31, 2017

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control #:

000896935

Formation Locale: TENNESSEE

Filing Type:

Limited Liability Company - Domestic

Date Formed:

03/31/2017

Filing Date:

03/31/2017 3:48 PM

Fiscal Year Close: 12

Status:

Active

Annual Report Due: 04/01/2018

Duration Term:

Image #:

B0337-7162

Member Managed

Managed By: **Business County:**

KNOX COUNTY

Document Receipt

Receipt #: 003284945

Perpetual

Filing Fee:

\$300.00

Payment-Check/MO - WALLER LANSDEN DORTCH, NASHVILLE, TN

\$300.00

Registered Agent Address:

RONALD E LAWRENCE

10805 HARDING DR

KNOXVILLE, TN 37932-3240

Principal Address:

10805 HARDING DR

KNOXVILLE, TN 37932-3240

Congratulations on the successful filing of your Articles of Organization for Behavioral Health of Rocky Top, LLC in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee. Please visit the Tennessee Department of Revenue website (apps.tn.gov/bizreg) to determine your online tax registration requirements. If you need to obtain a Certificate of Existence for this entity, you can request, pay for, and receive it from our website.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Secretary of State

Processed By: Tammy Morris

FILED

ARTICLES OF ORGANIZATION OF BEHAVIORAL HEALTH OF ROCKY TOP, LLC

The undersigned, acting as the organizer of a limited liability company under the Tennessee Revised Limited Liability Company Act, Tennessee Code Annotated, Sections 48-249-101, et seq., as amended, hereby adopts the following Articles of Organization for such limited liability company:

- 1. The name of the limited liability company is Behavioral Health of Rocky Top, LLC (the "Company").
- 2. The address of the initial registered office is 10805 Harding Drive, Knoxville, TN 37932, located in Knox County. The name of the Company's initial registered agent is Ronald E. Lawrence.
- 3. The name and address of the organizer of the Company is Kim Harvey Looney, 511 Union Street, Suite 2700, Nashville, TN 37219.
- The initial principal executive office of the Company is 10805 Harding Drive, Knoxville, TN 37932. The county in which the initial principal executive office is located is Knox County, Tennessee.
 - 5. The Company shall be member-managed.
- 6. The Company will not have more than six (6) members at the date of the filing of these Articles of Organization.
- 7. The existence of the Company is to begin upon the filing of these Articles of Organization with the Tennessee Secretary of State.

IN WITNESS WHEREOF, the undersigned organization has executed these Articles of Organization on the 31st day of March, 2017.

Kim Harvey Looney, Organizer

Organizational Chart

Summit View Health
Management, Inc.

99%

Behavioral Health
of Rocky Top, LLC

100%

Behavioral Health
of Rocky Top
(Facility)

Attachment - Section A-5 Administrative Services Agreement (Management)

ADMINISTRATIVE SERVICES AGREEMENT

This ADMINISTRATIVE SERVICES AGREEMENT ("Agreement") effective as of September 1, 2017, provided that the certain Certificate of Need Application submitted to the State of Tennessee has been approved, between SUMMIT VIEW HEALTH MANAGEMENT, INC., a Tennessee corporation, with offices located at 10805 Harding Drive, Knoxville, Tennessee 37923 (hereinafter referred to as "Summit"), and Behavioral Health of Rocky Top, LLC, a Tennessee Limited Liability Corporation, with offices located at 204 Industrial Park Road, Rocky Top, Tennessee 37769 (hereinafter referred to as the "Facility").

WITNESSETH:

WHEREAS, Summit is a Tennessee corporation which is engaged in the business of providing management and other services to health care providers;

WHEREAS, Facility is a Tennessee limited liability company which operates a Mental Health, Geriatric Psychiatric Facility; and

WHEREAS, Facility has the need for management and other services which Summit can provide.

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, and other good and valuable consideration, the parties do hereby agree as follows:

ARTICLE I

SERVICES PROVIDED BY SUMMIT

I.1 <u>Engagement for Services</u>. Subject to the terms and conditions set forth herein, Summit, in consideration of payment of the fees set forth in <u>Article II</u> hereof, hereby agrees to perform the services set forth in <u>Sections 1.2</u> and <u>1.3</u> hereof, and Facility agrees to pay to Summit the fees set forth in <u>Article II</u> in accordance with the terms thereof.

I.2 Administrative Services.

I.2.1 Summit will provide to Facility various administrative services as set forth in Exhibit A of this Agreement (collectively, the "Services"), including services regarding human resources, Employee Benefit Plans administration (as defined in the Employee Retirement Income Security Act ("ERISA")), management services and other administrative services. Services also includes the financial and accounting services set forth in Section 1.3 below.

- I.2.2 Summit shall perform the Services in accordance with work schedules that are established by mutual agreement of the parties. In performing the Services, Summit agrees to treat Facility's service requirements equally with its own with respect to priority, adherence to schedules and allocation of work to be performed by personnel of Summit.
- I.2.3 Summit shall provide Facility with periodic reports, not less than quarterly, with respect to Services provided to Facility by Summit.
- I.2.4 Summit shall make available to Facility on a timely basis all information within Summit's control which is reasonably necessary for Facility to be apprized of the status of the Services being provided to Facility by Summit.

I.3 Financial and Accounting Services.

- I.3.1 Summit will provide to Facility the accounting and financial services set forth in Exhibit A of this Agreement.
- I.3.2 Summit shall perform the accounting and financial services set forth in Exhibit A in accordance with work schedules that are established by mutual agreement of the parties. In performing the accounting and financial services, Summit agrees to treat Facility's service requirements equally with its own with respect to priority, adherence to schedules and allocation of work to be performed by Summit.
- I.3.3 Summit shall provide Facility with periodic reports, not less than quarterly, with respect to accounting and financial services provided by Summit to Facility.
- I.3.4 Facility shall make available to Summit on a timely basis all information within Facility's control which is reasonably necessary for Summit to perform the accounting and financial services and Facility shall be solely responsible for the accuracy and completeness of such information.
- I.3.5 Summit shall also provide Facility with access to capital when needed for Facility activities. Summit will loan funds to Facility at an interest rate equal to (i) the minimum rate allowed under the imputed interest rules of the Internal Revenue Code of 1986 as amended ("IRC"), as such rate is adjusted from time to time by the United States Department of Treasury (the Applicable Federal Rate), with each change in the rate of interest to be charged hereon pursuant to the imputed interest rules of the IRC to become effective without notice, on the effective date of any applicable change in the Applicable Federal Rate as published in the Internal Revenue Bulletin; or, (ii) at such other rate(s) as shall be mutually agreed upon. Facility will execute such promissory notes, loan documents, security agreements and financing statements as shall be required by Summit.

I.4 <u>Facility's Obligation to Provide Information</u>. Facility shall make available to Summit any and all technical, business, financial or other data, documents or information necessary to enable Summit to perform the Services.

ARTICLE II

COMPENSATION FOR SUMMIT VIEW HEALTH MANAGEMENT, INC.

- I.1 The Facility shall pay to Summit a monthly fee for Services rendered by Summit, which fee shall be in the amount of Seven (7%) percent of monthly net revenue. (the "Monthly Services Fee"). The Monthly Services Fee shall be reviewed at least annually and shall be subject to adjustment at the time of review, such adjustment in the Monthly Services Fee to be mutually agreed upon by the parties and set forth in a written instrument signed by both parties. Any out-of-pocket expenses incurred by Summit in providing Services to Facility, costs for delivery of laundry services as set forth on Exhibit A hereto, and administrative costs associated with Summit's administration of Facility's insurance plans, pension plans, profit sharing plans or other Employee Benefit Plans (collectively, "Expenses & Administrative Costs") shall also be billed to Facility.
- I.2 Summit shall prepare monthly invoices for the Monthly Services Fee and Expenses & Administrative Costs, which invoices shall be paid by Facility within thirty (30) days of the invoice date.

ARTICLE III

RELATIONSHIP OF PARTIES

I.1 Summit and Facility are separate legal entities and shall remain at all times independent contractors, and neither party shall be construed as the employee, agent or representative of the other party. Persons rendering Services pursuant to this Agreement shall not be deemed to be employees of Facility and shall not be entitled to and are not qualified under any Employee Benefit Plans, including but not limited to pension, health and insurance plans, provided by Facility. Summit shall retain the exclusive right of control with respect to persons rendering Services. The Facility is not authorized, and shall not at any time attempt to act for, or to act on behalf of, Summit or to bind Summit in any manner to any obligations whatsoever. Neither party shall engage in any acts which may lead any person to believe that any employee, agent or representative of one party is an employee, agent or representative of the other party; Summit or Facility shall be promptly notified by the other party of any confusion by third parties as to the relationship of Summit and Facility.

ARTICLE IV

LIABILITIES

- I.1 Neither Summit nor Facility shall have any liability to the other for any failure to fulfill any obligations hereunder when such failure is directly or indirectly caused by an unforeseen event of (a) fire, flood, explosion, riot, rebellion, revolution, labor trouble (whether or not due to the fault of such party), requirements or acts of any government authority or agency or subdivision thereof, loss of source of supplies or any other inability to obtain materials or suppliers; or (b) any other unforeseen cause, whether similar or dissimilar to the foregoing, beyond the reasonable control of the party claiming benefit of this provision; provided, however, that such party shall notify the other promptly of the cause and attempt in good faith to resume performance as soon as reasonably possible.
- I.2 Summit hereby agrees to indemnify and to hold Facility and its employees, agents and representatives harmless from and against any and all loss, liability, cost and expense incurred by Facility (including, without limitation, reasonable attorneys' fees and other expenses) resulting from or relating to any negligent act or failure to act by Summit with respect to the Services being rendered hereunder. The parties acknowledge that Summit is not licensed to provide long-term care or other nursing services, and Summit shall have no responsibility for any patient care services provided by Facility.
- I.3 Facility hereby agrees to indemnify and to hold Summit, and its employees, agents and representatives harmless from and against any and all loss, liability, cost and expense incurred by Summit (including, without limitation, reasonable attorneys' fees and other expense) resulting from or relating to any negligent act or failure to act by Facility.

ARTICLE V

CONFIDENTIAL INFORMATION

Summit and Facility may from time to time develop, receive or have access to proprietary or confidential information in whole or in part that is the property of the other party, its parent, subsidiaries or affiliates, or in whole or in part the property of third parties contracting or engaged in research, development or business arrangements with the other party, its parents, subsidiaries or affiliates. For purposes of this Agreement, such proprietary and confidential information shall include, without limitation, any information and data of a confidential nature, including but not limited to proprietary, developmental, technical, marketing, sales, operating, performance, cost, business and process information, computer programming techniques or any other proprietary financial, business or technical information and all record-bearing media of any nature containing or disclosing such information or techniques (the "Confidential Information"). Confidential Information shall not include information in the public domain but information shall be not deemed

to be in the public domain merely because any part of said information is embodied in general disclosures or because individual features, components or combinations thereof are now or subsequently become known to the public.

- Information made available by one party to another party under this Agreement shall: (a) be kept confidential by the receiving party; (b) be treated by the receiving party in the same way as it treats its own proprietary or confidential information; (c) not be used by the receiving party otherwise than in connection with the implementation and performance of this Agreement; (d) be divulged to such of the receiving party's personnel only as have an need to know, and (e) title or the right to possess proprietary or confidential information between the parties shall remain in the party which furnishes it. Neither party shall furnish to the other party proprietary or confidential information that it does not have the right to furnish. Each party agrees to use its best efforts to ensure that the other party's Confidential Information is not disclosed by its employees, contractors or agents in violation of the provisions of this Section 5.
- I.3 <u>Confidentiality Term.</u> The commitments pursuant to <u>Section 5.2</u> above, shall continue during the term of this Agreement and shall survive the termination of this Agreement for a period of ten (10) years, or until the Confidential Information is returned or upon receipt of certification of destruction of the Confidential Information. These commitments shall cease if, but only to the extent that, the Confidential Information:
- I.3.1 Is or becomes generally known or available to the public at large through no act or omission of the receiving party; or
- I.3.2 Can be demonstrated to be available lawfully to the receiving party prior to the disclosure or has thereafter been furnished to the receiving party without restrictions as to disclosure or use; or
- I.3.3 Can be demonstrated, subsequent to disclosure, to be independently developed by the receiving party without the use of any Confidential Information received from the disclosing party; or
- I.3.4 Is disclosed by operation of law or court order, provided that the party whose Confidential Information is to be disclosed is given an opportunity to prevent such disclosure and, if disclosed, the Confidential Information will only be used for the specified legal purposes.

It is understood that each party is entitled to disclose Confidential Information to any of its affiliates ("Affiliate" is defined as any corporation, partnership, limited partnership, limited liability company or other entity in which the party maintains a greater than fifty percent (50%) ownership interest, or any similar entity which is directly or indirectly controlled by, controlling, or under the common control of the party or its shareholders, members, or partners, or, in the case of Summit, any similar

entity designated as an affiliate by Summit, in Summit's sole discretion) on condition that such Affiliates shall be bound by the same commitments undertaken in this <u>Section 5</u>.

ARTICLE VI

OWNERSHIP OF AND RIGHTS IN SERVICE RESULTS

- I.1 <u>Summit's Intellectual Property Rights</u>. All ideas, innovations, improvements, creations, materials, works, writings, reports, trade secrets, publications and information collected, assembled, conceived, suggested, originated, developed, constructed, rendered or provided by Summit, as a result of or in the course of Summit's performance of Services hereunder ("Results") shall be the sole property of Summit.
- I.2 Grant of License to Facility. For the purpose of ensuring that Facility has and continues to have full ability to use and enjoy the Results, Summit agrees to disclose promptly to Facility and hereby grants to Facility a non-exclusive, royalty-free license in and to all ideas, innovations, improvements, creations, materials, works, writings, reports, publications and information, and all patent, copyright or other applications and statutory and common law protections related to the same which became or become available to or within the control of Summit relating to the Services performed by Summit for Facility pursuant to the terms of this Agreement. Summit agrees to execute any and all documents and do any and all further acts as may be requested by Facility or which may be necessary to carry out the intent and purposes of this Section.
- I.3 <u>Non-Disclosure</u>. Facility agrees that it will not, except as expressly authorized in writing by Summit, directly or indirectly disclose, publish or otherwise reveal, use or patent, any of the Results or related intellectual property which shall not be generally known, whether acquired or developed by Summit in the course of Summit's delivery of the Services or obtained from other confidential sources or from employees or agents of Summit.
- I.4 <u>Survival of Provisions</u>. Without affecting or limiting any other provisions of this Agreement, it is agreed that the parties' obligations under this <u>Article VI</u> shall survive any expiration or termination of this Agreement.

ARTICLE VII

DISPUTE RESOLUTION

I.1 <u>Dispute Resolution</u>. The parties hereto agree that the following alternative dispute resolution procedure shall be followed with respect to any dispute arising between the parties which in any manner arises out of or relates to the subject matter of this Agreement or the conduct of the parties in the performance of this Agreement.

I.2 Negotiation by Senior Executives.

- I.2.1 Summit and Facility shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between senior executives who have authority to settle the controversy and who are at a higher level of management than the persons with direct responsibility for administration of this Agreement. Any party may give the other party written notice of any dispute not resolved in the ordinary course of business. Within fifteen (15) days after delivery of the notice the party receiving the notice shall submit to the other a written response.
- I.2.2 The notice and the response shall include: (1) a statement of each party's position regarding the matter in dispute and a summary of arguments in support thereof, and (2) the name and title of the executive who will represent that party and any other person who will accompany that executive. Within thirty (30) days after delivery of the notice, the designated executives shall meet a mutually acceptable time and place and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one party to the other shall be honored in a timely fashion.
- I.2.3 If the matter in dispute has not been resolved within sixty (60) days after delivery of the notice, or if the parties fail to meet within thirty (30) days, either party may initiate subsequent proceedings as contemplated herein.

I.3 Binding Arbitration.

- I.3.1 In the event the parties are unable to resolve any dispute arising hereunder by negotiation as provided above, either party (the "claimant") may give written notice to the other (hereinafter "respondent") of its intention to arbitrate, which notice shall contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedy sought, and shall submit the appropriate documents to the Atlanta, Georgia, United States of America office of the American Arbitration Association (the "AAA") together with the appropriate filing fee. The AAA Commercial Arbitration Rules, as modified or revised by the provisions herein, shall govern the arbitration proceedings, which shall be held in Knoxville, Knox County, Tennessee, U.S.A. or at such other place as the parties and the arbitrator agree, within forty-five (45) days after the dispute is submitted to the arbitrator, unless the parties and the arbitrator agree otherwise. Said arbitration shall be held before a single arbitrator with knowledge of the long-term health care industry. Such arbitrator shall be mutually agreed upon by the parties in the event of a dispute between the parties. If Summit and Facility have not agreed upon a mutually acceptable arbitrator within thirty (30) days of the date of the notice of intention to arbitrate, said arbitrator shall be selected from the AAA Commercial Arbitration Panel according to AAA procedures.
- I.3.2 Such arbitration shall be conducted on an individual basis and shall not be consolidated in any arbitration with any claim or controversy of any other party. The arbitration hearing shall be concluded in not more than three (3) days unless otherwise ordered by the arbitrator.

The award on the hearing shall be made within thirty (30) days after the close of the submission of evidence at or in connection with the hearing.

- I.3.3 Any award rendered by the arbitrator pursuant to the procedure provided above shall be final and binding on the parties. Such award shall be enforceable under the Federal Arbitration Act and applicable state law. Judgment on such award may be entered by either party in any court having jurisdiction.
- I.3.4 The parties shall each bear all of their respective arbitration costs and expenses, but shall share equally the costs and expenses of the arbitrator. However, in the discretion of the arbitrator, the prevailing party may be awarded and allowed to recover from the other party its expenses of the arbitration proceedings, including reasonable attorney's fees.
- I.3.5 The provisions hereof shall be a complete bar and defense to any suit, action or proceeding instituted in any court or before any administrative tribunal with respect to any dispute or controversy arising out of or in connection with this Agreement. In the event that Summit or Facility commences a civil or administrative proceeding with respect to any dispute subject to arbitration under this provision, any other party to such proceeding shall be entitled to demand arbitration with respect to that dispute and shall be entitled to a permanent stay and injunction against any such civil or administrative proceeding. The arbitration provisions hereof shall, with respect any such dispute or controversy, survive the termination or expiration of this Agreement.

ARTICLE VIII

ADDITIONAL SERVICES

I.1 It is recognized by the parties that this Agreement may not cover all of the administrative or other services that the Facility may wish to obtain from Summit and that certain of the Services hereunder may require modification from time to time. Therefore, the parties agree to consider and negotiate in good faith concerning additions or modifications to this Agreement that may be proposed by either party from time to time during the term of this Agreement.

ARTICLE IX

REMEDIES FOR BREACH

- I.1 <u>Remedies</u>. In the event that one party breaches any provision of this Agreement, the non-breaching party may, by written notice to the other party, terminate this Agreement with respect to all or part of the Services hereunder, unless the breaching party:
 - (a) Gives the non-breaching party notice of its intent to cure the breach within five (5) working days of its receipt of the non-breaching party's notice; and

- (b) Cures the breach within fifteen (15) working days after receipt of the non-breaching party's notice.
- I.2 <u>Breach Defined</u>. "Breach" for purposes of this Article shall include any
 - (a) Proceeding, whether voluntary or involuntary, in bankruptcy or insolvency by or against one of the parties;
 - (b) Appointment, with or without the other party's consent, of a receiver or an assignee for the benefit of creditors;
 - (c) Failure by Summit to deliver the Services or otherwise perform in accordance with the terms hereof:
 - (d) Failure by Facility to pay for the Services provided by Summit or otherwise perform in accordance with the terms hereof.
- I.3 Remedies Additional and Not Exclusive. The rights and remedies contained herein are in addition to, and shall not be deemed to limit or affect, any other rights or remedies available at law or in equity.

ARTICLE X

TERM AND TERMINATION

- I.1 <u>Term.</u> This Agreement shall be effective from the date hereof, and, unless earlier terminated as set forth herein, this Agreement shall continue in effect for a period of one (1) year, and this Agreement shall be automatically renewable for ten (10) successive one (1) year periods unless one of the parties gives the other party written notice of its intent to cancel this Agreement at least sixty (60) days prior to the renewal date. Upon termination of this Agreement pursuant to this <u>Section 10.1</u>, the Agreement may be renewed or extended by a written agreement or document signed by both parties hereto.
- I.2 <u>Termination for Cause</u>. Notwithstanding any other provision hereof, either party may terminate this Agreement for cause in accordance with the provisions of <u>Article IX</u> hereof.
- I.3 <u>Termination of Services by Summit</u>. Summit may cancel any item of the Services set forth in <u>Exhibit A</u> upon not less than sixty (60) days prior written notice to Facility at any time, and Summit and Facility hereby agree to discuss when they deem it appropriate to consider transfer of any part of the Services from Summit to Facility. If any Services are canceled by Summit or Facility, the Facility shall not be relieved of its obligation to pay any outstanding fees or other amounts due to Summit which have accrued for services performed by Summit prior to the termination date.

ARTICLE XI

GENERAL PROVISIONS

- 18.1 Entire Agreement. This Agreement represents the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all other prior proposals, agreements, understandings and communications, whether oral or written. Each party hereby acknowledges that they have read this Agreement, understand it, and agree to be bound by its terms and conditions, and that they have executed the same of their own free will.
- assign or otherwise transfer this Agreement or any of its rights or obligations hereunder or any part thereof without the prior consent in writing of the other party, except that Summit may assign any of its rights or obligations to an Affiliate, and Summit shall further have the right to assign this Agreement to an entity that acquires all or substantially all of its assets, all of the stock or equity in any form, or to an entity into which Summit is merged; provided, however, that Summit shall give Facility prompt notice thereof, and the person or entity to whom the rights and obligations of Summit are assigned (the "Successor") shall execute a written instrument (in a form acceptable to Facility) whereby the Successor agrees to accept all of the rights and obligations of Summit under this Agreement and agrees to be bound by all of the terms and conditions of this Agreement in the same manner as Summit.
- Amendments; No Waiver. No provision of this Agreement may be amended, modified, revoked or waived except by a writing signed by a duly authorized representative of each of the parties hereto. Failure by either party to require performance by the other, or to claim a breach of this Agreement, will not waive any right accruing under this Agreement, nor will it affect any subsequent breach hereof or the effectiveness of any provision of this Agreement or prejudice either party in any subsequent action.
- 18.4 Notices. Any notice required or permitted to be given under the terms of this Agreement shall be sufficient if in writing and if sent postage prepaid by United States registered or certified mail, return receipt requested; by hand delivery; by Federal Express or other reputable national overnight courier service; or by confirmed telecopy (facsimile), to the following designated representatives of the parties (or such other person as subsequently designated by the parties hereto in writing) at the following addresses (or such other address as may be subsequently designated by the parties hereto in writing):

IF TO FACILITY:

Behavioral Health of Rocky Top, LLC 204 Industrial Park Road

Rocky Top, TN 37769

Attn: Administrator

IF TO SUMMIT:

Summit View Health Management, Inc.

10805 Harding Drive

Knoxville, Tennessee 37923 Attn: Ronald E. Lawrence

Agreement, for any reason, shall not prejudice or affect the validity or enforceability of the remainder, and if any time any one or more of the provisions of this Agreement (or any paragraph, sub-paragraph or any part thereof) is held to be or becomes void or otherwise unenforceable for any reason, the parties hereto shall use their best efforts to agree upon a replacement for such invalid or unenforceable provision in terms which correspond as closely as possible to the original provision, but if such replacement is unable to be accomplished then the same will be deemed omitted, and the validity and/or enforceability of the remaining provisions of this Agreement will not in any way be effected or impaired thereby.

- 18.6 <u>Parties Bound</u>. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, personal representatives, successors and permitted assigns.
- Authority. The parties hereto represent and warrant that they have full power and authority to execute, deliver and perform this Agreement and such other instruments as required herein and to consummate the transactions contemplated hereby, and that, when executed, this Agreement shall be valid, binding and legally enforceable against each of the parties hereto.
- 18.8 <u>Governing Law</u>. This Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of Tennessee, without regard to the choice of law provisions thereof.
- 18.9 <u>Counterparts</u>. This Agreement may be executed in two or more counterparts, each of which shall constitute an original.
- **18.10 Headings**. The headings of the sections of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on behalf of each by the duly authorized signatory set forth below with effect as of the day and date first written above.

BEHAVIORAL HEALTH OF ROCKY TOP, LLC
By:
Title:
SUMMIT VIEW HEALTH MANAGEMENT, INC.
Ву:
Title:

EXHIBIT A

To

September 1, 2017 Administrative Services Agreement

SERVICES

Pursuant to the terms and conditions of the Agreement, Summit will render the following Services to Facility at a price equal to the Monthly Service Fee plus Expenses & Administrative Costs as set forth in Section 2.1 of the Agreement.

- I. <u>Human Resources</u>. As requested by Facility, Summit will make its Human Resources department available to Facility.
- II. <u>Administration of Employee Benefit Plans</u>. Upon request of Facility, Summit will administer any Employee Benefit Plans and Arrangements maintained by Facility.
- III. <u>Management Services</u>. Pursuant to the terms and conditions of the Agreement, Summit shall provide the personal management services of Summit officers and employees as shall be requested by Facility.
- IV. <u>Accounting and Financial Services</u>. Summit will provide accounting and financial services to Facility, including, but not limited to, the following:

-	General Accounting
-	Budgeting
-	Long Range Planning
_	Cost Accounting/Product Costing
-	Banking/Financing
_	Information Systems
	Financial Reporting
-	Government Reporting
-	Taxes and Tax Return Preparation
	Asset Management
-	Capital Spending
_	Internal Control
 .	Credit and Collection
1	Cash Management
-	Contract Control
	Financial Audit
-	Order Processing

V. <u>Miscellaneous Services</u>. Summit will render to Facility any other administrative, accounting, management, laundry or financial services requested by Facility that are within the capabilities of Summit and agreed to by the parties in writing.

Attachment - Section A-6A Option to Lease Deed of Trust

OPTION TO LEASE AGREEMENT

THIS OPTION TO LEASE AGREEMENT (the "Agreement") is made and entered into as of this day of May, 2017, by and between Summit View of Lake City, LLC d/b/a Summit View of Rocky Top, a limited liability company organized and existing under the laws of the State of Tennessee whose primary business address is 10805 Harding Drive, Knoxville, Tennessee 37932-3240 ("Landlord") and Behavioral Health of Rocky Top, LLC, a limited liability company organized and existing under the laws of the State of Tennessee whose primary business address is 10805 Harding Drive, Knoxville, Tennessee 37932-3240 ("Tenant").

WITNESSETH

WHEREAS, Landlord leases a certain health care building in Rocky Top, Tennessee commonly known as Summit View of Rocky Top and located at 204 Industrial Park Road, Rocky Top, Tennessee 37769-2301 (the "Property"); and

WHEREAS, Landlord desires to enter into an option with Tenant whereby Landlord grants to Tenant the option to lease a portion of the Property (the "Leased Premises"), which option must be exercised as set forth below.

NOW, THEREFORE, for and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1 GRANT OF OPTION

- 1.1 Landlord hereby grants to Tenant an exclusive option to lease the Leased Premises, upon the terms and conditions set forth herein.
- 1.2 The term of Tenant's option to lease the Leased Premises shall commence on the date hereof and shall continue for a period of six (6) months from the date hereof (the "Option Period"). The Option Period may be extended at any time prior to its expiration upon the mutual consent of the parties.
- 1.3 Tenant shall exercise its option to lease the Leased Premises by delivering written notice to Landlord within the Option Period by Registered or Certified Mail, or in person.
- 1.4 The parties agree hereto that this option to lease is contingent upon the Tenant obtaining a Certificate of Need to establish an inpatient geropsychiatric hospital from the State of Tennessee Health Services and Development Agency which is not subject to a contested case hearing.

SECTION 2 TERMS AND CONDITIONS OF THE LEASE

- 2.1 The parties agree to execute a formal lease agreement, subject to any terms and conditions contained in this Agreement and as mutually agreed upon by the parties. The parties expect that rent shall reflect the fair market value of the property and shall be approximately ten thousand dollars (\$10,000) per month.
- 2.2 The term of Tenant's lease of the Leased Premises shall be for a period of five (5) years (the "Term"), with multiple renewal options.

SECTION 3 MISCELLANEOUS PROVISIONS

3.1 Any notices require or permitted herein shall be addressed as follows and delivered to the other party by either registered or certified mail, facsimile, or in person:

If to Landlord:

Summit View of Lake City, LLC 10805 Harding Drive Knoxville, Tennessee 37932-3240 Attn: Ronald E. Lawrence

With a copy to:

Waller Lansden Dortch & Davis LLP 511 Union Street Suite 2700 Nashville, TN 37219 Attn: Kim H. Looney, Esq.

If to Tenant:

Behavioral Health of Rocky Top, LLC 10805 Harding Drive Knoxville, Tennessee 37932-3240 Attn: Ronald E. Lawrence

With a copy to:

Waller Lansden Dortch & Davis LLP 511 Union Street Suite 2700 Nashville, TN 37219 Attn: Kim H. Looney, Esq.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

View

LANDLORD:

Summit View of Lake City, LLC d/b/a Summit of Rocky Top

A Tennessee Limited Liability Company

By: Mountal E Lawrence

Title: GILLET MANAGE

TENANT:

Behavioral Health of Rocky Top, LLC A Tennessee Limited Liability Company

By: O (8 VS) Z Z

Title: GHIFF MANAGER



THIS DOCUMENT PREPARED BY AND RETURN TO: 10 PGS : AL - TRUST DEED Baker, Donelson, Bearman, Caldwell & Berkowitz, PC Attn.: James H. Levine, Esq. 1800 Republic Centre

633 Chestnut Street Chattanooga, Tennessee 37450 BK/PG: 1586/1534-1543 13007245

VETTA BATCH: 99189 07/25/2013 - 04:11 PM 4817600.00 VALUE 5537.94 MORTGAGE TAX

CO TRANSFER TAX 0.00 50.00 PARECORDING FEE DP FEE 2.00 1.00 REGISTER'S FEE TOTAL AMOUNT 5590.94 STATE OF TENNESSEE, ANDERSON COUNTY TIM SHELTON REGISTER OF DEEDS

State of Tennessee

Deed of Trust

FHA Project Number: 087-43067

This Indenture, made and entered into as of the date acknowledged below to be effective as of the 1st day of July 1, 2013, by and between LAKE CITY HEALTH CARE CENTER, L.P., a corporation limited partnership organized and existing under the laws of the State of Tennessee having its principal office and post office address at 204 Industrial Park Road, Lake City, Tennessee 37769, hereinafter called the party of the first part, and Tennessee Valley Title Insurance Co., a Tennessee corporation, a resident of Knox County, Tennessee, Trustee(s), a corporation with an address of 800 S. Gay St. Knoxville, Tennessee 37929 hereinafter called party of the second part, and LANCASTER POLLARD MORTGAGE COMPANY, a corporation organized and existing under the laws of the State of Ohio having its principal office and post-office address at 65 East State Street, 16th Floor, Columbus, Ohio 43215 hereinafter called party of the third part,

Witnesseth, That the party of the first part, in consideration of the debt and trust hereinafter mentioned and created, and the sum of One Dollar (\$1) to it in hand paid, the receipt of which is hereby acknowledged, does by these presents, bargain, sell, transfer, convey and confirm unto the party of the second part, his successors in trust, and assigns, forever, the following-described land situated in Lake City, County of Anderson, State of Tennessee, to wit:

SEE EXHIBIT A ATTACHED HERETO FOR DESCRIPTION OF PROPERTY.

MAXIMUM PRINCIPAL INDEBTEDNESS FOR TENNESSEE RECORDING TAX PURPOSES IS \$4,817,600.00

Together with the privileges and appurtenances to the same belonging, and all of the rents, issues, and profits which may arise or

Together with all buildings and improvements of every kind and description now or hereafter erected or placed thereon, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating, airconditioning and laundry equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating fixtures, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, blinds and other furnishings; and

Together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein; and all articles of personal property owned by the party of the first part and now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the lands herein described which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all goods and chattels and personal property as are ever used or furnished in operating a building or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner. It is hereby agreed that to the extent permitted by law all of the foregoing property and fixtures are to be deemed and held to be a part of and affixed to the realty.

To Have And To Hold the same to the party of the second part, his successors in trust, and assigns, forever.

And the party of the first part covenants with the party of the second part, his successors in trust, and assigns, that it is lawfully seized in fee of said premises, that the same are free and clear of all taxes, liens, and encumbrances whatsoever; that he has good right, full power and lawful authority to convey the same, and that he will warrant and forever defend the title thereto against the lawful claims of any and all persons whomsoever.

This conveyance is made in trust to secure payment of a just indebtedness of party of the first part to party of the third part of the principal sum of Four Million Eight Hundred Seventeen Thousand Six Hundred and 00/100 Dollars (\$4,817,600.00), evidenced by its note of even date herewith, bearing interest from date on outstanding balances at Four and 50/100 percent (4.50%) per annum, said principal and interest being payable in monthly installments as provided in said note with a final maturity of April 1, 2043 which note is identified as being secured hereby by a certificate thereon. Said note and all of its terms are incorporated herein by reference and this conveyance shall secure any and all extensions thereof, however evidenced.

The party of the first part, in order more fully to protect the debt secured by this Deed of Trust, does hereby covenant and agree as follows:

- 1. That it will pay the Note at the times and in the manner provided therein;
- 2. That it will not permit or suffer the use of any of the property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed;
- 3. That the Regulatory Agreement, if any, executed by the party of the first part and the Secretary of Housing and Urban Development, which is being recorded simultaneously herewith, is incorporated in and made a part of this Deed of Trust. Upon default under the Regulatory Agreement and upon the request of the Secretary of Housing and Urban Development, the party of the third part, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;
- 4. That all rents, profits and income from the property covered by this Deed of Trust are hereby assigned to the party of the third part for the purpose of discharging the debt hereby secured. Permission is hereby given to party of the first part so long as no default exists hereunder, to collect such rents, profits and income for use in accordance with the provisions of the Regulatory Agreement;
- 5. That upon default hereunder party of the third part shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom;
- 6. That at the option of the party of the first part the principal balance secured hereby may be reamortized on terms acceptable to the Secretary of Housing and Urban Development if a partial prepayment results from an award in condemnation in accordance with provisions of Paragraph 8 herein, or from an insurance payment made in accordance with provisions of Paragraph 7 herein, where there is a resulting loss of project income;
- 7. That the party of the first part will keep the improvements now existing or hereafter erected on the deeded property insured against loss by fire and such other hazards, casualties, and contingencies, as may be stipulated by the Secretary of Housing and Urban Development upon the insurance of the Deed of Trust and other hazards as may be required from time to time by the party of the third part, and all such insurance shall be evidenced by standard Fire and Extended Coverage Insurance Policy or Policies, in amounts not less than 80% of the Insurable Values or not less than the unpaid balance of the insured Deed of Trust, whichever is the lesser, and in default thereof the party of the third part shall have the right to effect insurance. Such policies shall be

endorsed with standard Mortgagee clause with loss payable to the party of the third part and the Secretary of Housing and Urban Development as interest may appear, and shall be deposited with the party of the third part;

That if the premises covered hereby, or any part thereof, shall be damaged by fire or other hazard against which insurance is held as hereinabove provided, the amounts paid by any insurance company in pursuance of the contract of insurance to the extent of the indebtedness then remaining unpaid, shall be paid to the party of the third part, and, at its option, may be applied to the debt or released for the repairing or rebuilding of the premises;

- 8. That all awards of compensation in connection with condemnation for public use of or a taking of any of that property, shall be paid to the party of the third part to be applied to the amount due under the Note secured hereby in (1) amounts equal to the next maturing installment or installments of principal and (2) with any balance to be credited to the next payment due under the Note. That all awards of damages in connection with any condemnation for public use of or injury to any residue of that property, shall be paid to the party of the third part to be applied to a fund held for and on behalf of the party of the first part which fund shall, at the option of the party of the third part, and with the prior approval of the Secretary of Housing and Urban Development, either be applied to the amount due under the Note as specified in the preceding sentence, or be disbursed for the restoration or repair of the damage to the residue. No amount applied to the reduction of the principal amount due in accordance with (1) shall be considered an optional prepayment as the term is used in this Deed of Trust and the Note secured hereby, nor relieve the party of the first part from making regular monthly payments commencing on the first day of the first month following the date of receipt of the award. The party of the third part is hereby authorized in the name of the party of the first part to execute and deliver valid acquittances for such awards and to appeal from such awards.
- 9. That, together with and in addition to the monthly payments of interest and of principal and interest payable under the terms of the note secured hereby, it will pay to the party of the third part monthly on the first day of each month after the date hereof, concurrently with payments of principal and interest until the note is fully paid, the following sums:
- (a) An amount sufficient to provide the party of the third part with funds to pay the next mortgage insurance premium if this instrument and the note secured hereby are insured, or a monthly service charge, if they are held by the Secretary of Housing and Urban Development, as follows:
- (I) If and so long as said note of even date and this instrument are insured or are reinsured under the provisions of the National Housing Act, an amount sufficient to accumulate in the hand of the party of the third part one (1)

month prior to its due date the annual mortgage insurance premium, in order to provide such party of the third part with funds to pay such premium to the Secretary of Housing and Urban Development pursuant to the National Housing Act, as amended, and applicable Regulations thereunder, or

- (II) Beginning with the first day of the month following an assignment of this instrument and the note secured hereby to the Commissioner, a monthly service charge which shall be an amount equal to one-twelfth (1/12) of one-half (½) percentum of the average outstanding principal balance due on the note computed for each successive year beginning with the first of the month following such assignment, without taking into account delinquencies or prepayments.
- (b) A sum equal to the ground rents, if any, next due, plus the premiums that will next become due and payable on policies of fire and other property insurance covering the premises covered hereby, plus water rates, taxes and assessments next due on the premises covered hereby (all as estimated by the party of the third part) less all sums already paid therefor divided by the number of months to elapse before one month prior to the date when such ground rents, premiums, water rates, taxes and assessments will become delinquent, such sums to be held by the party of the third part in trust to pay said ground rents, premiums, water rates, taxes and special assessments.
- (c) All payments mentioned in the two preceding subsections of this paragraph and all payments to be made under the note secured hereby shall be added together, and the aggregate amount thereof shall be paid each month in a single payment to be applied by the party of the third part to the following items in the order set forth:
- (i) premium charges under the Contract of Insurance with the Secretary of Housing and Urban Development or service charge;
- (ii) ground rents, taxes, special assessments, water rates, property insurance premiums;
 - (iii) interest on the note secured hereby;
 - (iv) amortization of the principal of said note;
- 10. Any excess funds accumulated under (b) of the next preceding paragraph remaining after payment of the times therein mentioned, shall be credited to subsequent monthly payments of the same nature required thereunder; but if any such items shall exceed the estimate therefor the party of the first part shall without demand forthwith make good the deficiency. Failure to do so before the due date of such item shall be a default hereunder. In case of termination of the Contract of Mortgage Insurance by prepayment of the note and Deed of Trust in full, or otherwise (except as hereinafter provided), accumulations under (a) of the next preceding paragraph hereof not required to meet payments due under the Contract of Mortgage Insurance, shall be credited to the party of the first part. If the property is sold under foreclosure or is otherwise acquired by the party of the third part after default,

any remaining balance of the accumulations under (b) of the next preceding paragraph shall be credited to the principal of the debt secured hereby as of the date of the commencement of foreclosure proceedings or as of the date the property is otherwise acquired; and accumulations under the Contract of Mortgage Insurance.

- 11. That it will pay all taxes, assessments, water rates, and other governmental or municipal charges, fines, or impositions and ground rents, whether levied or assessed upon the premises covered hereby or upon the interest of the third party therein, for which provision has not been made as provided in paragraph (b) above, and that it will promptly deliver the official receipts therefor to the party of the third part, and in default thereof the party of the third part shall have the right to pay the same. If the party of the first part shall fail to pay any fire or other hazard insurance premiums or to accumulate funds sufficient to pay mortgage insurance premiums when due, or shall fail to pay for any necessary repairs, the party of the third part shall have the right to pay the same, and all sums so advanced shall be secured hereby and shall bear interest at the rate specified in the note from the date when paid. The party of the third part shall also pay any other sum that is necessary to protect the security of this instrument. All such sums, as well as all costs paid by the party of the third part pursuant to this instrument, shall be secured hereby and shall bear interest at the rate specified in the note from the date when any such sums are paid;
- 12. That it will keep the said premises in good order and condition and will not commit or permit any waste thereof, reasonable wear and tear excepted, or make any structural alterations without consent of the party of the third part;
- 13. That if either the party of the second part or the party of the third part shall become a party to any suit or proceeding at law or in equity in reference to its interest in the premises herein conveyed, the reasonable costs, charges and attorney's fees in such suit or proceeding shall be added to the principal sum then owing by the party of the first part and shall be secured by this instrument;
- 14. That it will not voluntarily create or permit to be created against the property subject to this Deed of Trust any lien or liens inferior or superior to the lien of this Deed of Trust; and further, that it will keep and maintain the same free from the claim of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said premises;
- 15. That the improvements about to be made upon the premises above described and all plans and specifications comply with all municipal ordinances and regulations made or promulgated by lawful authority, and that the same will upon completion—comply with all such municipal ordinances and regulations and with the rules of the fire rating or inspection organization, bureau, association or office;

16. That the funds to be advanced herein are to be used in the construction of certain improvements on the lands herein described, in accordance with a building loan agreement-between the party of the first-part and party of the third part, dated , 19 , which building loan agreement (except such part or parts thereof as may be inconsistent herewith) is incorporated herein by reference to the same extent and effect as if fully set forth and made a part of this Deed of Trust; and if the construction of the improvements to be made pursuant to said building loan agreement shall not be carried on with reasonable diligence, or shall be discontinued at any time for any reason other than strikes or lock outs, the party of the third part, after due notice to the party of the first part or any subsequent owner, is hereby invested with full and complete authority to enter upon the said premises, employ watchmen to protect such improvements from depradation or injury, and to preserve and protect the personal property therein, and to continue any and all-outstanding contracts for the erection and completion of said building or buildings, to make and enter into any contracts and obligations wherever necessary, either in its own name or in the name of the party of the first part, and to pay and discharge all debts, obligations wherever necessary, either in its own name or in the name of the party of the first part, and to pay and discharge all debts, obligations and liabilities incurred thereby. All such sums so advanced by the party of the third-part (exclusive of advances of the principal of the indebtedness secured hereby) shall be added to the principal of the indebtedness secured hereby and shall be secured by this Deed of Trust and shall-be-due and payable on demand with interest at the rate specified in the note, but no such advance shall be insured unless same is specifically approved by the Secretary of Housing and Urban Development prior to the making thereof. The principal sum and other charges provided for herein shall, at the option of the party of the third part or holder of the note-secured hereby and this Deed of Trust securing the same, become due-and payable on the failure of the party of the first part to keep and perform any of the covenants, conditions and agreements of said building loan agreement. This covenant shall be terminated upon the completion of the improvements to the satisfaction of the party of the third part and the making of the final advance as provided in said building loan agreement;

17. Now, Therefore, if the party of the first part shall well and truly perform all the terms and conditions of this Deed of Trust, and of the note secured hereby, then this conveyance shall be null and void, and shall be released or satisfied at the cost and request of the party of the first part. In the event of default in making any monthly payment provided for herein or in the note secured hereby and if such default is not made good prior to the due date of the next such installment, or if the party of the first part shall fail to perform any covenant or agreement in this instrument, then all sums owing by the party of the first part to the party of the third part under this Deed of Trust, or under the note secured hereby, shall immediately become due and payable at the option of the party of the third part, and the party of the second part is

hereby empowered and authorized, after first advertising for 21 days by 3 weekly notices, giving notice of the time, place and terms of sale, in some newspaper published in the County of Anderson, State of Tennessee, to sell the property at public outcry at such time between the hours of ten (10) in the forenoon and four (4) in the afternoon as shown in said advertisement of sale, to the highest and best bidder for cash in bar of all equities of redemption, the Statutory Right of Redemption, homestead, dower, and all other rights or exemptions of every kind, all of which are hereby expressly waived. The parties in interest hereby waive the necessity of the party of the second part making oath, filing inventory, or giving bond as security for the execution of this trust, as required by the laws of Tennessee. Upon such sale, the party of the second part is hereby authorized to execute and deliver a deed of conveyance in fee of said property to the purchaser thereof, and to place the purchaser in quiet and peaceful possession of the property. The party of the first part agrees that in case of any sale under this Deed of Trust it will at once surrender possession of the property, and will from that moment become and be a tenant at the will of the purchaser, and be removable by process, such as forcible and unlawful detainer, hereby agreeing to pay to the purchaser the reasonable rental value of the property after such sale;

18. The proceeds of any sale under this Deed of Trust shall be applied by the party of the second part as follows: First, to pay the costs and expenses of executing this trust, and any and all sums expended on account of costs of litigation, attorney's fees, ground rents, taxes, insurance premiums, or any advances made or expenses incurred on account of the property sold, with interest thereon; second, to retain as compensation, a commission of one per centum (1%) on the gross amount of the sale; third, to pay off the debt secured hereby, including accrued interest thereon, as well as any other sums owing to the party of the third part by the party of the first part, pursuant to this instrument; and last, to pay the balance if any, to the party of the first part upon delivery and surrender to the purchaser of possession of the property sold, less the expense, if any, of obtaining possession;

19. If the party of the third part shall for any reason desire to replace the party of the second part, or any successor trustee hereunder, or if party of the second part should die or be unable or refuse to act, the party of the third part shall have the right to remove the said Trustee and appoint his successor by an instrument in writing, which shall be duly registered in the Register's Office of Anderson County, State of Tennessee; and the new Trustee shall thereupon become successor in title of the said property, and such title shall become vested in him in trust for the purposes and uses of these presents, with all the powers, duties and obligations herein conferred on the party of the second part in the same manner and to the same effect as though he were named herein as Trustee;

20. Party of the first part covenants and agrees that so long as this Deed of Trust and the said note secured hereby are

insured or held under the provisions of the National Housing Act, it will not execute or file for record any instrument which imposes a restriction upon the sale or occupancy of the mortgaged property on the basis of race, color or creed;

- 21. The covenants contained herein shall bind, and the benefits and advantages shall inure to, the respective successors and assigns of the parties hereto. The words "Party of the Third Part" as used herein shall be deemed to include any lawful holder of the note secured hereby.
- 22. Notwithstanding any other provision contained herein or in the Deed of Trust Note secured hereby (the "Note"), it is agreed that the execution of the Note shall impose no personal liability upon the party of the first part for payment of the indebtedness evidenced thereby and in the event of a default, the holder of the Note shall look solely to the "Collateral" (defined below) in satisfaction of the indebtedness evidenced by the Note and will not seek or obtain any deficiency or personal judgment against the the party of the first part except such judgment or decree as may be necessary to foreclose and/or bar its interest in the Collateral, provided, that nothing in this condition and no action so taken shall operate to impair any obligation of

the party of the first part under the Regulatory Agreement herein referred to and made a part hereof. As used herein, "Collateral" shall mean and include (i) the property subject to this Deed of Trust and to the rents, issues and profits thereof; (ii) the tangible and intangible property described in any and all security agreements (whether executed by the party of the first part, any lessee or operator of the property or any portion thereof, or any other party) which now or hereafter secure the Note and the proceeds and products thereof; (iii) any and all escrows and reserves now or hereafter required by Lancaster Pollard Mortgage Company and/or the Secretary of Housing and Urban Development in connection with the property subject to this Deed of Trust (including, to the extent applicable, replacement reserves accounts, residual receipts accounts, escrows for insurance premiums, mortgage insurance premiums, ground rents, taxes, assessments, utility charges and other impositions, and escrows for working capital, operating deficits, repairs, latent defects, and offsite improvements); and (iv) any and all property now or hereafter mortgaged, pledged, conveyed or assigned to secure payment of the Note and the rents, issues, profits, proceeds and products thereof.

In Witness Whereof, the party of the first part has caused these presents to be signed in its name by its _____ and its corporate seal to be hereunto affixed as of the day and year first above written.

[SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]

(Corporate Seal)	30 2	
Attest:	By:	
	Secretary	<u>President</u>
State of Tennessee)		
County of	33.	
On this day of	, 19, before me-appeared	
to me personally known, who, being by me du	ly sworn, did say that he is the	President of
	, the corporation which executed the fo	oregoing instrument, and that the seal
	of said corporation and that said instrument was	signed and sealed in behalf of said
corporation by authority of its Board of Direct	ors and	and its corporate seal to be hereunto
affixed the day and year first above written.		
1900 E		
In Witness Whereof I hereunto set n	ny hand and official seal.	
	-	
	Notary Public of	County, Tennessee
22 2	My commission expires	
[Seal]		
[Seal]	t	
[Seal]		
[Seal]		

IN WITNESS WHEREOF, the party of the first part has caused these presents to be signed in its name by its General Partner on the day, month and year acknowledged below to be effective as of the day, month and year first above written.

LAKE CITY HEALTH CARE CENTER, L.P., a Tennessee limited partnership

By: Summit View Health Management, Inc.,

a Tennessee corporation

Its: General Partner

onald E. Lawrence, President

ACKNOWLEDGMENT

STATE OF TENNESSEE COUNTY OF KNOX

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared Ronald E. Lawrence, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of Summit View Health Management, Inc., a Tennessee corporation and General Partner of Lake City Health Care Center, L.P., the within named bargainor, a Tennessee limited partnership, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation as general partner of the limited partnership by himself as such President of the corporation.

WITNESS my hand and seal, at office in Knok, Tennessee, this day of OF STATE PUBLIC OF NOTARY PUBLIC OF NOTARY PUBLIC OF STATE PUBLIC OF STATE PUBLIC OF STATE ROUTE

My commission expires:

Signature Page to Deed of Trust

EXHIBIT A TO DEED OF TRUST

Legal Description

SITUATED in District No. One (1) of Anderson County, Tennessee, within the corporate limits of the Town of Lake City, Tennessee, and being a tract of property more particularly bounded and described as follows:

BEGINNING at a set iron pin in the southeastern right-of-way of Golda Avenue Extension (now Industrial Park Drive), located North 79 deg. 04 min. 18 sec. East, 62.24 feet from the intersection of the southeast margin of Golda Avenue (now Industrial Park Drive) with the south margin of the Golda Avenue Extension (now Industrial Park Drive); thence with the southeastern right-of-way line of Golda Avenue Extension (now Industrial Park Drive) the following two calls: North 79 deg. 04 min. 18 sec. East, 8.45 feet to a concrete right-of-way monument as shown on Interstate 75 plans (Project No. I-75-3(51)376 Construction); thence North 60 deg. 48 min. 38 sec. East, 375.36 feet to a concrete right-of-way monument, corner common to Adkins; thence leaving the southeastern right of way of Golda Avenue Extension (now Industrial Park Drive), and with Adkins in part and Massengill, South 26 deg. 33 min. 08 sec. East, 278.33 feet to an existing iron pin, corner common to Massengill and Davis; thence with Davis, South 41 deg. 52 min. 00 sec. West, 323.07 feet to an existing iron pin in the north line of Davis and common corner with Lawrence Health Care Center Inc.; thence with the east line of Lawrence Health Care Center, Inc., North 72 deg. 49 min. 00 sec. West, 94.25 feet to a set iron pin; thence North 29 deg. 11 min. 06 sec. West, 317.35 feet to the POINT OF BEGINNING, containing 2.88 acres more or less, as shown by survey of Ned D. Ferguson, Surveyor, TN RLS No. 1643, dated October 10, 1997, last revised November 20, 1997, bearing Drawing No. 8C1097.

A PORTION OF THE ABOVE DESCRIBED PROPERTY BEING the same property conveyed to Lake City Health Care Center, Ltd., a limited partnership, by Warranty Deed from Lake City Convalescent and Nursing Home, Incorporated, dated November 20, 1981, filed for record in Warranty Book K15, page 659 in the Anderson County Register of Deeds Office. Lake City Health Care Center, Ltd. was converted to Lake City Health Care Center, LLC by Articles of Conversion filed for record in Book CB25, page 147, in the Anderson County Register of Deeds Office. Lake City Health Care Center, LLC merged into Lake City Health Care Center, L.P. pursuant to Certificate of Merger filed for record in Book CB25, page 482, in the Anderson County Register of Deeds Office; AND A PORTION OF THE ABOVE DESCRIBED PROPERTY BEING the same property conveyed to Lake City Health Care Center, L.P., by deed from Lawrence Healthcare, Inc., successor by name change to Lake City Convalescent and Nursing Home, Inc., dated June 19, 1996, filed for record in Warranty Book O19, page 540 in the Anderson County Register of Deeds Office.

ASSIGNMENT OF LEASES RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS

This ASSIGNMENT OF LEASES RIDER TO DEED OF TRUST is made and entered into as of the date acknowledged below to be effective as of July 1, 2013 and is incorporated by reference into that certain Deed of Trust dated of even date herewith made by LAKE CITY HEALTH CARE CENTER, L.P., a Tennessee limited partnership ("Grantor") for the benefit of LANCASTER POLLARD MORTGAGE COMPANY, an Ohio corporation ("Beneficiary").

- 1. Grantor hereby assigns, grants and transfers to Beneficiary its successors and assigns, all interest of the Grantor in that Lease Agreement by and among Grantor, as "Landlord" and SUMMIT VIEW OF LAKE CITY, LLC, a Tennessee limited liability company, as "Tenant", dated June 26, 1996, as thereafter amended, together with any subsequent leases affecting the property described in the Deed of Trust (collectively, the "Leases"), together with all rents, income, revenues and profits now due, or which may become due under the Leases or arising otherwise out of the property covered by this Deed of Trust (the "Property"), or any interest therein, together with all rights which Grantor may have against all tenants or others under said Leases or otherwise in connection with the Property (collectively, the "Rents"). This assignment is subject to a license hereby reserved to Grantor, but limited as hereinafter provided, to collect said Rents.
- 2. Grantor agrees to timely perform and discharge all obligations of Grantor as Landlord under the Leases.
- 3. Grantor further agrees not to receive or collect any Rents in advance, nor pledge, or assign future Rents, nor release or discharge any tenant thereof from any obligation under the Leases; nor to cancel, modify, extend or renew any Lease or dispossess any tenant without the prior written approval of Beneficiary.
- 4. So long as Grantor shall not be in default hereunder, Grantor shall have the license reserved hereby to collect all Rents.
- 5. Upon default by Grantor hereunder, Beneficiary may, at its option, terminate the license of Grantor to collect the Rents and bring an action to appoint a receiver to enter upon, take possession of, manage and operate the Property and collect the Rents, make, enforce, and modify the Leases now or hereafter in effect, and otherwise perform all acts with respect to the Property, Leases and Rents as fully as Grantor could do if personally present, and Beneficiary shall, after payment of all expenses, credit the net amount of income which it may receive to the indebtedness secured hereby, in the manner, order and amounts as Beneficiary shall determine.
- 6. In the event Tenant defaults under its Leases with Grantor entitling Grantor, as Landlord under the Lease, to cause a receiver to be appointed to operate the Property, and after ten (10) days written notice from Beneficiary to Grantor directing Grantor to take such actions as

are required to have a receiver appointed to so operate the Property, Grantor fails to commence such actions and diligently pursue them to completion, such failure shall be a default by Grantor under this Deed of Trust entitling Beneficiary to exercise its rights and remedies under this Deed of Trust and applicable law. In addition, upon such default or other default by Grantor under this Deed of Trust or the Note secured by this Deed of Trust that is not cured within any applicable cure period, Beneficiary may initiate such actions as may be necessary, whether in Beneficiary's name or in the name of, and/or in the place of Grantor, to have a receiver appointed to operate the Property.

- 7. Notwithstanding anything herein to the contrary, acceptance by Beneficiary of this assignment shall not constitute Beneficiary a mortgagee in possession, or obligate Beneficiary to appear in or defend any action or proceeding relating to the Rents, Leases, or the Property, or to take any action hereunder, or incur any expenses; nor shall Beneficiary be liable for any injury or damage to person or property sustained by any persons, in or about the Property. This assignment is an assignment of rights only, and not a delegation of duties.
- 8. Grantor hereby irrevocably appoints Beneficiary its true and lawful attorney, coupled with an interest, in the name of Grantor, to subordinate any Lease to the lien of this Deed of Trust and to collect all Rents payable under the Leases upon termination of the license herein granted. This assignment shall, subject to the license granted herein, constitute a direction to and full authority to Tenant and any tenant under the Leases to pay all Rents to Beneficiary. The foregoing powers are irrevocable, continuing, and exclusive in Beneficiary, its successors and assigns.
- 9. Upon payment in full of the indebtedness secured by this Deed of Trust, this assignment shall be of no further force and effect and Beneficiary shall execute such documents, in recordable form, as may be required or needed to reconvey and/or rescind this assignment.

[SIGNATURE AND ACKNOWLEDGEMENT PAGE FOLLOWS]

IN WITNESS WHEREOF, the said Grantor has caused these presents to be signed in its name by its General Partner on the day, month and year acknowledged below to be effective as of by its and its corporate seal to be hereunto affixed the day and year first above written.

LAKE CITY HEALTH CARE CENTER, L.P.,

a Tennessee limited partnership

By: Summit View Health Management, Inc.,

a Tennessee corporation

Its: General Partner

y: Donable Laurena

Ronald E. Lawrence, President

ACKNOWLEDGMENT

COUNTY OF LNDX

Shiring COU.

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared Ronald E. Lawrence, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of Summit View Health Management, Inc., a Tennessee corporation and General Partner of Lake City Health Care Center, L.P., the within named bargainor, a Tennessee limited partnership, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation as general partner of the limited partnership by himself as such President of the corporation.

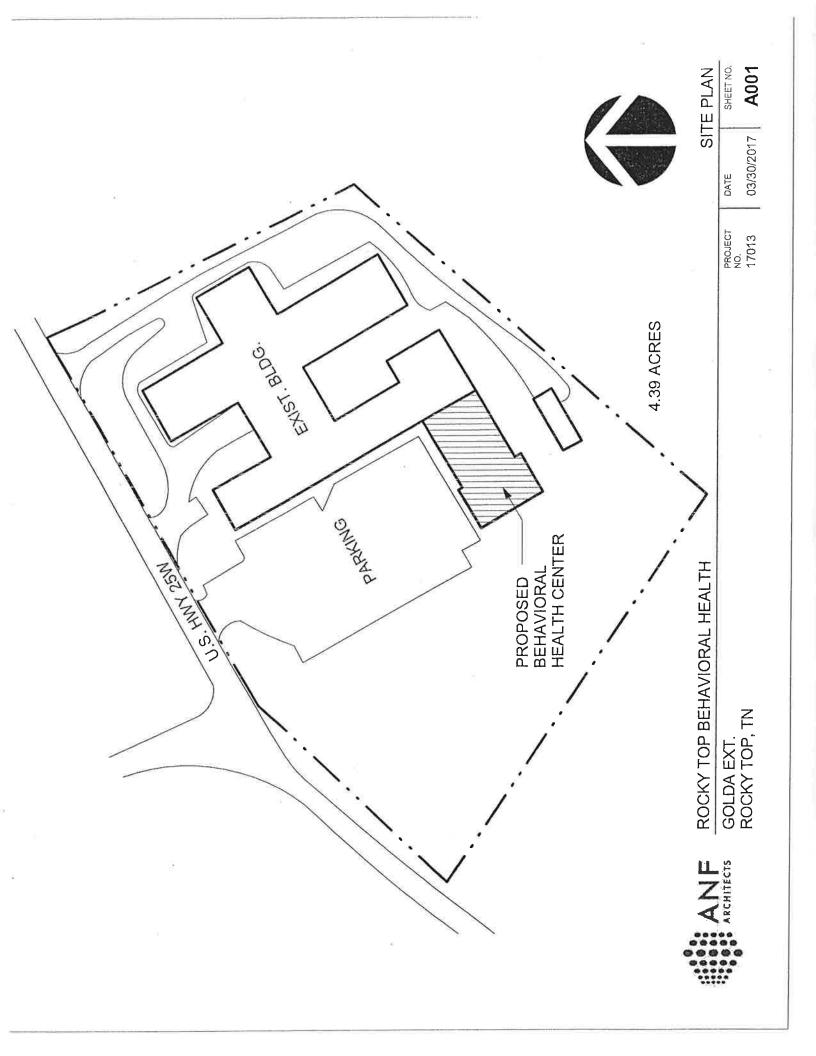
WITNESS my hand and scal, at office in KNX, Tennessee, this A day of day of July 2013.

WITNESS my hand and scal, at office in KNX, Tennessee, this A day of day of July 2013.

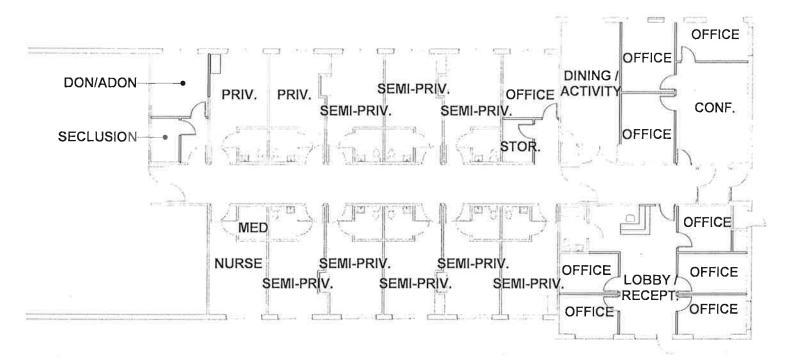
With Some Dyan Solution State A day of State Notary Public Notary Public My commission expires: 8/5/15

Signature Page to Rider to Deed of Trust

Attachment - Section A-6B.1 Plot Plan



Attachment - Section A-6B.2 Floor Plan





8 SEMI-PRIVATE

2 PRIVATE

TOTAL 18 BEDS





ROCKY TOP BEHAVIORAL HEALTH

GOLDA EXT.

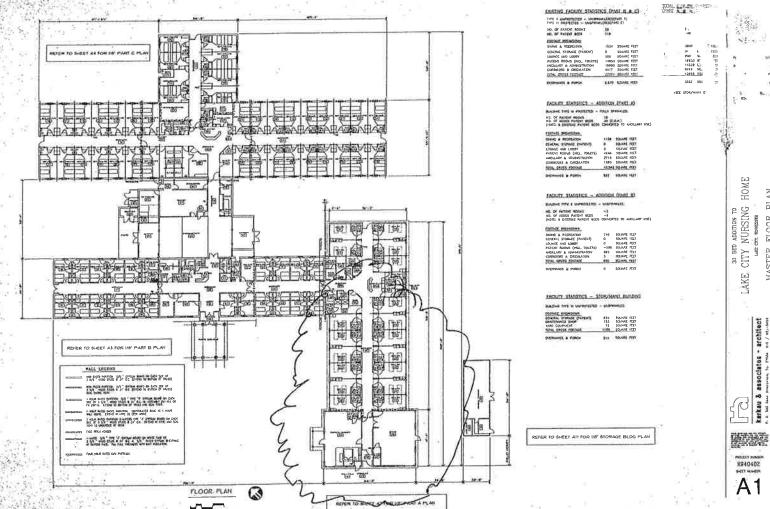
ROCKY TOP, TN

FIRST FLOOR PLAN

PROJECT NO. 17013

SHEET NO. DATE A201

04/03/2017



Karkau & associates - architect

MASTER FLOOR PLAN

Attachment - Section C - Economic Feasibility-E Architect Letter

April 26, 2017

TENNESSEE DEPARTMENT of HEALTH

RE:

Rocky Top Behavorial Health Center

ANF Project No. 17013

To Whom It May Concern:

I have reviewed to attached estimate of construction costs provided by the Owner and belive that this is a reasonable estimate of costs for the proposed work. The Scope of Work involves converting approximately half of one wing of an existing nursing home for use as a behavorial health center. Conversion of the existing resident rooms will involve minimal expense. Most of the expense consists of constructing offices in the the existing Dining/Activities and Physical Therapy spaces. The costs shown for this work appear adequate to complete this work in accordance with Architectural and Engineering Guidelines of the Tennessee Department of Health.

Please contact me if you have any questions regarding this estimate.

Thank you for your attention to this matter.

Sincerely,

ANF ARCHITECTS, Inc.

H. Daniel Garrigan, AlA Partner

Encl: Cost Estimate

CC:

Joe Strawn, SHM

File 17013



ARCHITECTURE PLANNING INTERIOR DESIGN

Successful Clients: Innovative Design.

PARTNERS

Bill Ferguson, AIA

Rebecca Conrad, AIA, LEED AP

Scott Dicus, AIA, LEED AP

Daniel Garrigae, AIA

Joe Wieronski, AIA. LEED AP BD FC

ASSOCIATES

Derrick Choo, LEED AP

Bob Land, A:A, LEED AP BD+C

Linda Smith

Amanda Whitaker, AIA Jim Wilkins, AIA

AFFILIATES

Lee Askew III. FAIA: Partner Enter Lus

Bill Nixon, Partner Emeritu

Louis R. Pounders, FAIA

1500 Union Avenue Memphis, TN 38104

901-278.6868

www.anfaicom



Attachment - Section C - Economic Feasibility-2 U.S. Bank Letter



149 E Broadway Jefferson City, TN 37760 865 475,9048 865,475,9873 fax

April, 21, 2017

Behavioral Health of Rocky Top P O Box 59 Rocky Top, TN 37769

Mr. Ron Lawrence,

Thank you for meeting with me. I am extremely interested in the opportunity to assist you with your lending needs for your upcoming project. I understand your needs are as follows:

A loan in the amount of \$710,000.00 including hard and soft costs

A term of ten years

A requested interest rate of cost of funds +2%

I look forward tow working with you and please let me know when you get ready to proceed with the application process.

Thank you,

Pam Dockery

Assistant Vice President of Community Banking

Attachment - Section C - Economic Feasibility Balance Sheet and Income Statement

Income Statement SUMMIT VIEW HEALTH MGMT INC March 31,2017

	Amount	Year To Dat PPD	% Rev
Revenue	******	-	SWANA
LAUNDRY REVENUE MANAGEMENT FEES REVENUE COURIER REVENUE MISC INCOME	130,794 1,098,000 31,500 494	0 0	87.1 2.5
Net Revenue	1,260,787	7 0	100
Expenses			
PLANT OPERATION EXPENSE ADMINISTRATION WAGES HUMAN RESOURCES CASE MANAGEMENT LAUNDRY AND DELIVERY ADMIN GENERAL EXPENSES MISC EXPENSE Total Expenses	182,834 567,017 75,595 31,649 135,859 283,648 30,887	7 0 5 0 9 0 9 0 8 0	-14.5 -45 -6 -2.5 -10.8 -22.5 -2.4
Net Income	-46,701 ======	0	-3.7
Income per Revenue Dollar	-27	, O	0

Balance Sheet SUMMIT VIEW HEALTH MGMT INC March 31, 2017

Assets	Ending Balance
CASH ACCOUNTS RECEIVABLE NOTES RECEIVABLE PREPAID MOVEABLE EQUIPMENT OTHER ASSETS DEPOSITS	73,626.16 559,635.00 1,536,007.79 7,559.14 191,354.03 408.83 1,865.00
Total Assets	2,370,455.95

Balance Sheet SUMMIT VIEW HEALTH MGMT INC March 31,2017

	Ending Balance
Liabilities	
ACCOUNTS PAYABLE NOTES PAYABLE PAYROLL WITHHOLDING ACCRUALS BENEFITS DEFERRALS	2,613,031.13 206,426.55 508.14 139,694.49 73,600.60 336,464.51
Total LIABILITIES	3,369,725.42
EQUITY/INCOME	-999,269.47
Total Liabilities and Equity	2,370,455.95

Attachment - Section - Contribution to the Orderly Development of Health Care

Proof of Publication

Tuesday, May 9, 2017

LASSIFIEDS

Classified Representatives

Ph:(865)482-1021 E-mail: classifieds@oakridger.com

, MasterCard, Discover & American Express

DEADLINES:

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lat Rates: (Does not include employment ads) onday & Friday: \$5.00 per line per Day

Specials: (Does not include employment ads) 3 lines for 1 week for \$44,00 restrictions apply 3 lines for 2 weeks for \$69,00 Minimum 3 lines (Approximately 20 characters per line)

Legals 00

NOTICE TO CREDITORS

required by TCA Chapter 886, Pubicts of Tennessee)

ket No. 17PB89

ion County, Ten-

ce Is hereby given on April 13, 2017, ers in respect to

Richards sed. who ch 28, 2017 were ed to the underied by the Clerk Ben Andrews Master of the ncery-Probate

of Anderson Tennessee. persons, resident

non-resident, ing claims, mature inmatured against Estate are reed to file the same k and Master of above named rt on or before the ier of the dates scribed in (1) or (2) erwise their claims be forever barred.

Four (4) months 1 the date of the publication (or ling as the case be) of this notice creditor reed an actual copy is notice to crediat least sixty (60) s before the date is four (4) months 1 the date of the publication (or ting); or (B) Sixty days from the the creditor reed an actual copy ne notice to crediif the creditor reed the copy of the ce less than sixty days prior to the that is four (4) iths from the date rst publication (or ling) as described) (A); or

Ive (12) months 1 the decedent's of death.

persons indebted the above Estate it come forward make proper setient with the unLegals

The regular May meeting of the Oak Ridge :-306 as amended Utility District Board of Commissioners that is normally the fourth Wednesday of each month will be held the fourth Wednesday of May on Wednesday, ite of Ronald Joe May 24 , 2017 The lards, Late of An- meeting will be held at 12:00 pm at the Oak Ridge Utility District Board Room located at South Jefferson 120 Circle, Oak Ridge, Tennessee. All interested Estate of Ronald citizens are encouraged de- to attend this open died meeting.

> Submitted by: General Manager

> > Call 482-1021 to place your classified!

Announcements

riplicate with the If anyone has a claim to a 2005 Suzuki GSX-R 600 Vin number: JS1GN7CAX52107480 Please call Jordan at 865-803-1258

> The Oak Ridger is not responsible for errors following the first day of publication. The publisher reserves the right to edit, reject or correctly classify advertisements. The Oak Ridger does not knowingly accept advertising that discriminates based on race, national origin, color, religion, and sex or handicap status. The publisher does not accept liability for error omission.

Sales

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NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Behavioral Health of Rocky Top, owned by: Behavioral Health of Rocky Top, LLC with an ownership type of limited liability company, and to be managed by Summit View Health Management, Inc., intends to file an application for a Certificate of Need for the establishment of a healthcare institution and initiation of geriatric psychiatric services with 18 beds to be located at 204 Industrial Park Road, Rocky Top, Anderson County, Tennessee 37769. The geriatric psychiatric beds will be licensed by the Department of Mental Health and Substance Abuse Services. The cost of this project is expected to be approximately \$1,200,000.

The anticipated date of filing the application is on or before May

The contact person for this project is Kim Harvey Looney, Esq., Attorney, who may be reached at Waller Lansden Dortch & Davis LLP, 511 Union Street, Suite 2700, Nashville, Tennessee 37219, (615) 850-8722.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

> Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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Lake City Health Care Center, LP P.O. Box 23376 Knoxville, TN 37933 87-863-640

5/4/2017

PAY TO THE ORDER OF

Tennessee Health Services and Development

*15,000.00

DOLLARS

6

Tennessee Health Services and Development 502 Deaderick Street Andrew Jackson Bldg 9th floor Nashville, TN 37243

MEMO

5/4/2017

#OO1168# #O64008637#

564 23<u>8</u> 2#

Lake City Health Care Center, LP

1168

Tennessee Health Services and Development Date

Bill

Type Reference

C.O.N. Application

Original Amt. 15,000.00 Balance Due 15,000.00 5/4/2017

Discount

Payment 15,000.00

Check Amount

15,000.00

Pinnacle bank

15.000.00

1168

Lake City Health Care Center, LP

Tennessee Health Services and Development

Date 5/4/2017

Bill

Type Reference

C.O.N. Application

Original Amt. 15,000.00

Balance Due 15,000.00 5/4/2017

Discount

Payment 15.000.00

Check Amount

15,000.00

Pinnacle bank

15,000.00



State of Tennessee Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 **www.tn.gov/hsda** Phone: 615-741-2364 Fax: 615-741-9884

June 1, 2017

Kim Looney, Esq. Waller Lansden 511 Union Street, Suite 2700 Nashville, TN 37219

RE: Certificate of Need Application -- Behavioral Health of Rocky Top - CN1705-015
The establishment of a mental health hospital and initiation of geriatric psychiatric services with 18 geriatric inpatient psychiatric beds located at 204 Industrial Park Road, Rocky Top (Anderson County), TN 37769. The estimated project cost is \$1,160,500.

Dear Ms. Looney:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Marthagem Whitlock at the Tennessee Department of Mental Health and Substance Abuse Services for Certificate of Need review by the Division of Planning, Research, & Forensics. You may be contacted by Ms. Whitlock or someone from her office for additional clarification while the application is under review by the Department. Ms. Whitlock's contact information is Marthagem.Whitlock@tn.gov or 615-532-6717.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on June 1 1, 2016. The first 60 days of the cycle are assigned to the Department of Mental Health and Substance Abuse Services, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Mental Health and Substance Abuse Services or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on August 23, 2017.

Ms. Looney June 1, 2017 Page 2

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (3) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (4) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill Executive Director

ce: Marthagem Whitlock, TDMHSAS, PRF

Welam Midell



State of Tennessee Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243 www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Marthagem Whitlock, Assistant Commissioner

of Planning Research & Forensics

TN Department of Mental Health and Substance Abuse Services

Division of Planning, Research & Forensics

Andrew Jackson Building, 5th Floor

500 Deaderick Street

Nashville, Tennessee 37243

FROM: Melanie M. Hill

Executive Director

DATE: June 1, 2017

RE: Certificate of Need Application

Behavioral Health of Rocky Top - CN1705-015

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on June 1, 2017 and end on August 1, 2017.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Kim Looney, Esq.

July !



State of Tennessee Health Services and Development Agency

Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

	LETTE	ER OF INTENT			
The Publication of Intent is t	o be published in the	Oak Ridger		which is a n	ewspaper
of general circulation in	Anderson (County)	(Name of Ne , Tennessee, on or		May 9 (Month/Day)	, 20 17 (Year)
for one day				((,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 <i>et seq.</i> , and the Rules of the Health Services and Development Agency, that:					
Behavioral Health of Rocky	Тор		N/A		
(Name of Applicant)			,	Type-Existing)	_
owned by: <u>Behavioral He</u>	ealth of Rocky Top, LLC	with an ownersl	nip type of	Limited Liability	/ Company
Summit View Health and to be managed by: Management, Inc. intends to file an application for a Certificate of Need for _the establishment of a healthcare institution and initiation of geriatric psychiatric services with 18 beds to be located at 204 Industrial Park Road, Rocky Top, Anderson County, Tennessee 37769 The geriatric psychiatric beds will be licensed by the Department of Mental Health and Substance Abuse Services. The cost of this project is expected to be approximately \$1,200,000.					
The anticipated date of filing		May 12,		2017	
The contact person for this p		rvey Looney, Esq.		Attorn	ev
, , , , , , , , , , , , , , , , , , ,		(Contact Name)		(Title	*
who may be reached at:	Waller Lansden Dort	ch & Davis LLP	511 Unior	Street, Suite 270	00
	(Company	Name)		(Address)	
Nashville	TN	37219	615		-8722
and city	(State)	(Zip Code)	(Area Code) / (Phone	Number)
M— MU	May 9	9, 2017	Kim.Loon	ey@wallerlaw.cor	m
(Signature)	<u> </u>	(Date)	******	(Email-Address)	
The Letter of Intent must be <u>filed in triplicate</u> and <u>received between the first and the tenth</u> day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:					
	Health Services	and Development A	gency		

Health Services and Development Agency Andrew Jackson Building, 9th Floor 502 Deaderick Street Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

HF51 (revised 01/09/2013 – all forms prior to this date are obsolete.)

Supplemental- #1 -ORIGINAL-

BEHAVIORAL HEALTH OF ROCKY TOP

CN1705-015





May 22, 2017

VIA HAND DELIVERY

Phillip M. Earhart
Health Services Development Examiner
Tennessee Health Services and Development Agency
502 Deaderick Street
9th Floor
Nashville, TN 37243

Re: Certificate of Need Application CN1705-015 Behavioral Health of Rocky Top, LLC

Dear Phillip:

This letter is submitted as the supplemental response to your letter dated May 17, 2017, wherein additional information or clarification was requested regarding the above-referenced CON application.

1. Section A, Executive Summary, (8) Staffing

It is noted the applicant will contract with a Psychiatrist/Medical Director. Please indicate if a candidate has been identified. If not, does the applicant anticipate any difficulty in filling the Psychiatrist/Medical Director position?

Response: Several candidates for the position have been identified, and preliminary discussions have begun with one in particular. We do not anticipate any difficulty in filling the position.

2. Section A, Project Details, Item 5 Management Entity

The Facebook account for Summit View Health Management indicates the web-site for the management company is summithealth.org. Please verify.

Response: The Summit View Health Management Facebook account incorrectly identified the management entity's website as summithealth.org. The Facebook account has been taken offline until this error is corrected. Summit View Health Management does not maintain a website presence.

Please provide an overview of Summit View Health Management, Inc. including experience in managing a geriatric inpatient psychiatric unit, company size, and line of business. Also, please include an overview of the management companies' presence in Tennessee.

waller

May 23, 2017 4:01 pm

Phillip M. Earhart May 22, 2017 Page 2

Response: Summit View Health Management, Inc. (SVHM) has been a quality provider of health care management services for more than 30 years. SVHM manages a variety of health care organizations and has experience in several different sectors of the health care industry, primarily in the long term care industry. SVHM manages the following health care facilities:

Summit View of Farragut, LLC (SVF): SVF is a 113 bed skilled facility located in Farragut, Knox County, TN. SVF offers levels of care unique to area nursing homes. In addition to traditional intermediate care (Level I), skilled care services providing high acuity care including enhanced respiratory care services, wound care management and intense rehabilitation services are also available. A secure, thirty (30) bed, special care unit is offered for those residents with Alzheimer's/memory care or related disease. SVF has been operated and managed by SVHM since 1985. SVF accepts Medicare, Medicaid, Private Insurance and Private Pay.

Summit View of Lake City, LLC D/B/A Summit View of Rocky Top (SVRT): SVRT is a 117 bed skilled facility located in Rocky Top, Anderson County, TN. SVRT offers traditional intermediate care (Level I) and skilled care services providing high acuity care including wound care management and intense rehabilitation services. A secure, twenty-two (22) bed, special care unit is offered for those residents with dementia/memory care or related disease. SVRT has been operated and managed by SVHM since 1981. SVRT accepts Medicare, Medicaid, Private Insurance and Private Pay.

Summit View Pharmacy Services, Inc. (SVPS): SVPS is a pharmacy operation providing services to the long-term care and assisted living industry. SVPS provides quality services and medications on a daily basis to its clients. SVPS had been operated and managed by SVHM since 1983. SVPS accepts Medicare, Medicaid, Private Insurance and Private Pay.

3. Section A: Project Details Item 6B (2) Floor Plan

The floor plan is noted. However, please indicate where the following areas are located: 1) Nurses station, 2) Individual Therapy Rooms, 3) Family Visitation Areas, and 4) Recreational Areas.

Response: Please see the revised floor plan with appropriate labeling included as <u>Attachment Section A, Project Details-Item 6(B)2</u>.

4. Section A: Project Details Item 12 Square Footage and Cost Per Square Footage Chart

The renovated cost of \$298,500 is noted. However, please clarify if \$298,000 is adequate to bring a nursing home up to mental health hospital standards.

Response: A revised architect's letter indicating that \$298,500 is an adequate amount to bring the renovated portion of the nursing home up to the standards required for a mental health hospital will be provided as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, <u>Item 1.E.</u> on Thursday, May 25, 2017.

waller

May 23, 2017 4:01 pm

Phillip M. Earhart May 22, 2017 Page 3

5. Section B, Need, Item 2.d Continuum of Care. (Psychiatric Inpatient Services-Service Specific Criteria-)

Please complete the following chart that will indicate the applicant's service area 65+ Geriatric Psychiatric Continuum of Care.

Response: In many cases, short-term care patients will be returned to the facility from which they are referred after receiving necessary inpatient care. Attached is a list of all providers in the service area who are licensed to provide Intensive Outpatient, PHP, and/or Inpatient Hospitalization (including medical w/o psychiatric care) services in the applicant's service area included as Attachment Section B, Need, Item 2(d). Although it is unclear whether all of these providers offer service to the geriatric population, the list demonstrates sufficient services to offer a full continuum of care to applicant's future patients.

6. Section B, Need, Item 2.g (Psychiatric Inpatient Services-Service Specific Criteria-)

It is noted the applicant is anywhere from 12 to 21 miles away from the 3 closest hospitals. Please list each hospital and the distance.

Response: Tennova LaFollette Medical Center is located 12.2 miles from the proposed facility, Methodist Medical Center of Oak Ridge is located 14.24 miles from the proposed facility, and Tennova Physicians Regional Medical Center is located 19.50 miles from the proposed facility.

7. Section B, Need, Item 2.j Crisis Stabilization Unit. (Psychiatric Inpatient Services-Service Specific Criteria-)

It is noted the service area does not have a geriatric crisis stabilization unit. However, according to the Department of Mental Health and Substance Abuse Services' web-site there appears to be a crisis stabilization unit located at Helen Ross McNabb. Please verify.

What is a crisis stabilization unit? How many beds are licensed at the Helen Ross McNabb CSU, what is the patient cost, and maximum length of stay, and are geriatric patients admitted?

Response: Crisis stabilization units offer 24/7/365 intensive, short-term stabilization for someone experiencing a mental health emergency that is willing to receive services. The average length of stay in such a unit is 3 days. The Helen Ross McNabb Center has a 15 patient capacity, but it does not offer geropsychiatric services nor does it provide services to the entirety of the applicant's proposed service area. Anderson and Union counties are not included in the area where it offers services.

The applicant responded to Item I and labeled the response as "J". Item "J" is the last question under additional factors. Please adjust and remove item "K" and submit a replacement page.

Response: Please see revised page R-15 included as Attachment Section B, Item 2(j).

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8. Section B, Need, Item 4 Planning Horizon. (Psychiatric Inpatient Services-Service Specific Criteria-)

It appears the applicant adopted 2018 and 2019 as the planning horizon for the first two years of operation of the project. However, the first two full years of the proposed project is 2019 and 2020 since the Project Completion Chart indicates the service will begin in December 2018. If needed, please revise responses to the Psychiatric Inpatient Services-Service Specific Criteria using 2019 and 2020 as the planning horizon.

Response: The applicant previously mislabeled the first two years of operation for the project as 2018 and 2019. The projected data chart has been revised to correct this oversight, and the psychiatric services-service specific criteria properly reflect a planning horizon covering the first two years. The revised Projected Data Chart is included as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, Items 3 and 4.

9. Section B, Need, Item 10 Relationship to Existing Similar Services (Psychiatric Inpatient Services-Service Specific Criteria-)

The chart of geriatric utilization in the proposed service area is noted. Please indicate for 2015 the percentage of patient days for Parkwest and Lafollette that represented adults 18-64 and 65+.

Response: In 2015, 90.8% of Parkwest's patient days represented adults 65+ and 9.2% of patients days represented adults 18-64. 85.7% of Lafollette's patient days represented adults 65+ and 15.3% of patient days represented adults 18-64.

10. Section B, Need, Item 16 Community Linkage Plan. (Psychiatric Inpatient Services-Service Specific Criteria-)

Please provide the applicant's proposed primary prevention initiatives in the community linkage plan that would address risk factors leading to the increased likelihood of Inpatient Psychiatric Bed usage.

Response: The applicant's proposed project involves utilization of a geropsychiatric nurse practitioner. This individual will be able to offer interventional services at other facilities and ensure that risk factors leading to increased inpatient psychiatric bed usage are appropriately addressed. The applicant will establish relationships with area providers to ensure that step-down services are available to its patients where needed. A list of such providers is attached in response to supplemental question 5 above.

If possible, please provide letters from providers (e.g., physicians, mobile crisis teams, and/or managed care organizations) in support of an application that details specific instances of unmet need for geriatric psychiatric inpatient services. Please provide measurable instances of unmet need rather than providing broad statements.

Response: Please see attached letters of support from providers in the service area as well as the skilled nursing facilities co-managed by Summit View Health Management, indicating their

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Phillip M. Earhart May 22, 2017 Page 5 May 23, 2017 4:01 pm

needs for additional inpatient geropsychiatric services in the area. Additional letters from other providers in support of the project are also forthcoming.

11. Section B, Need, Item 18 Quality Control and Monitoring. (Psychiatric Inpatient Services-Service Specific Criteria-)

If the applicant and/or management company owns or administers other psychiatric facilities, please provide information on their surveys and their quality improvement programs, whether they are located in Tennessee or not.

Response: Neither the applicant nor the management company own or administer any other psychiatric facilities. However, the management company does administer two skilled nursing facilities in the State of Tennessee. These facilities have received satisfactory results on their State licensure surveys and maintain rigorous quality assurance and improvement programs. In fact, Summit View of Rocky Top, the facility where applicant intends to lease space, was awarded a 2016 Bronze American Health Care Association/NCAL National Quality Award for its efforts in maintaining a rigorous quality improvement program.

12. Section B. Need, Item 3

The projected utilization for Year One by county is noted. However, how does patient origin of Ridgeview and Methodist of Oak Ridge's as reported in the 2015 JAR compare to applicant's proposed patient origin?

Response: Patient origin for Ridgeview and Methodist of Oak Ridge by county for each of the counties in the applicant's service area is as follows according to the 2015 JAR reports, Ridgeview: Anderson 20.6%, Campbell 12.1%, Knox 21.5%, Loudon 1.9%, Morgan 4.8%, Roane 12%, Scott 5.7%, and Union 0.3%. Methodist of Oak Ridge: Anderson 43%, Campbell 5.8%, Knox 5.8%, Loudon 0.4%, Morgan 8.8%, Roane 23.3%, Scott 4.8%, and Union ~0%. The applicant believes that its utilization projections are comparable to that of Ridgeview, the only other service provider in Anderson County that is offering inpatient psychiatric services. Furthermore, differences between Ridgeview's patient origin data and the applicant's projection take into account the fact that applicant will be serving a primarily 65+ geriatric population whereas Ridgeview provides primarily adult services. The applicant has also received significant support from providers in Knox County, including a nursing facility that is also managed by Summit View Health Management, indicating support for the project and need for inpatient geropsychiatric services.

Is it realistic to expect over 52.7% of projected utilization in Year One will travel from Knox County to Anderson County?

Response: Applicant believes it is realistic to expect a large portion of the geriatric population in need of inpatient psychiatric services in Knox county to travel to Anderson County for treatment because the only provider of inpatient psychiatric services in Knox County, Parkwest Medical Center, suffers from significant overutilization, and there is no other facility in any county contiguous to Knox that serves as a significant source of geropsychiatric services. In addition

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please see the attached letters of support responsive to supplemental question 10, four of which are from providers in Knox county indicating a great need for inpatient geropsychiatric services and a willingness to refer to the proposed facility in Anderson County.

13. Section B. Need, Item 5

Your response to this item is noted. However, the chart does not include admissions or discharges and average length stay data. Please include and revise.

Response: Please see revised page R-24 which includes a table outlining admission/discharges and average length of stay, included as Attachment Section B, Need, Item 5.

Ridgeview in Anderson County and Tennova in Knox County had geriatric utilization. Please provide utilization for these two facilities for the past three years breaking out utilization for ages 18-64 and 65+.

Response: Please see revised page R-24 which includes tables outlining utilization statistics as well as admissions/discharges and average length of stay, included as <u>Attachment Section B</u>, Need, Item 5.

14. Section B, Need, Item 6

Please complete the following tables for Year One and Year Two:

Projected Inpatient Utilization

Variable	2019	2020
Ages 65+ Psych Licensed Beds	Proposed 18 Beds	Proposed 18 Beds
Ages 65+ Psych. Admissions	235	372
Ages 65+ Psych. Pat. Days	2,300	3,650
Ages 65+ Psych ALOS	9.8	9.8
Ages 65+ Psych ADC	6.3	10
Ages 65+ % Lic. Occ.	35%	55.5%

15. Section B. Economic Feasibility Item 1.E Architect's Letter

The architect's letter is noted. However, please revise the letter to include an estimate of the cost to construct the project and an attestation the physical environment will conform to applicable federal standards, licensing agencies' requirements including AIA Guidelines and Design and Construction of Hospital and Health Care facilities in current use by the licensing authority.

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Phillip M. Earhart May 22, 2017 Page 7



Response: A revised architect's letter will be provided as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, <u>Item 1.E</u> will be provided on Thursday, May 25, 2017.

It is noted in the architect's letter the facility will be built in accordance with Architectural and Engineering Guidelines of the Tennessee Department of Health. Since this proposed project will be licensed by the Department of Mental Health and Substance Abuse Services please clarify the involvement of the Department of Health in the project.

Response: The original architect's letter mistakenly referenced the Tennessee Department of Health and its applicable guidelines instead of the Tennessee Department of Mental Health and Substances Abuse services and the guidelines promulgated by that agency. A revised architect's letter to this effect will be provided as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, <u>Item 1.E</u> will be provided on Thursday, May 25, 2017.

16. Section B. Economic Feasibility Item 3 and 4 (Historical and Projected Data Chart)

The Projected Data Charts are noted. If applicable, please revise Year 1 and Year 2 to 2019 and 2020 and submit.

Response: Please see revised projected data chart, pages R-32 and 33 included as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, <u>Items 3 and 4</u>.

Since the applicant is obtaining a commercial loan, should there not be a line item for estimated annual principal debt repayment of annual capital expenditures?

Response: Please see revised projected data chart, pages R-32 and 33 included as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, <u>Items 3 and 4</u>. Please note that when taking into account annual principal debt repayment, the proposed project will actually operate at a minor loss in Year 1 of \$24,167 and turn a positive cash flow in Year 2 of \$365,871.

17. Section B, Economic Feasibility, Item 5.A Project's Average Gross Charge, Average deduction from Operating Revenue, and Average Net Charge

The Deduction from Revenue and Average Net Charge for Year Two appears to be incorrect. Please revise and submit a page 34 (R-34).

Response: Please see revised projected data chart, pages R-32 and 33 included as <u>Attachment Section B</u>, <u>Economic Feasibility</u>, <u>Items 3 and 4</u>. The Contractual Adjustments as a deduction from gross operating revenue have been revised to demonstrate that the Deduction from Revenue and Average Net Charge for Year Two were correctly calculated.

18. Section B, Economic Feasibility, Item 5.C

Please compare the proposed charges of the project to current Medicare allowable fee schedule by common procedure terminology (CPT) codes.

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Response: As an inpatient psychiatric facility, the appropriate Medicare allowable fee schedule to compare against the facility's charges will be by DRG rather than CPT code. Please see the table below illustrating the facility's proposed Year 1 and 2 Charges against the current Medicare allowable rates for some of the most common DRG codes for admission.

	Behavion Charge Comparisons for C	oral Health of Roc Commonly Admitte		chiatric	
DRG	Descriptor	Current Medicare	Average Net Charge (per Admission)		
		Allowable	Year 1	Year 2	
884	Organic Disturbances & Mental Retardation	\$7,389.26	\$8,575.00	\$8,575.00	
885	Psychoses	\$6,914.47	\$8,575.00	\$8,575.00	
057	Degenerative Nervous System Disorders w/o MCC	\$6,368.55	\$8,575.00	\$8,575.00	

19. Section B. Economic Feasibility, Item 6.A Financial Information and 6.C. Capitalization Ratio

Please provide the latest audited financial statements for Summit View Health Management, Inc.

Response: Audited financial statements are unavailable, because Summit View Health Management, Inc. is a privately-held organization with no obligation to audit its financials. As such, all financial statements are internally prepared. Home-Office Cost Report is the closest thing we have to an audited report, but derived from an internally prepared statement

It is noted the unaudited income statement for Summit View Health Mgmt. Inc. ending March 31, 2017 indicated Net Income of (\$46,701). In addition, it is noted total liabilities of \$3,369,725 exceeded total assets of \$2,370,455. Cash represented \$73,626. Please provide details that verify the applicant has the financial resources and reserves to make this proposed project financially feasible long term.

Response: Summit View Health Management is a complex organization that manages and has certain ownership in other entities. As a result of its complex operation, there are certain liabilities that must be recorded for GAAP and/or Tax reasons that do not have a direct or indirect cash impact on the operation of the business.

On the March 31, 2017 balance sheet, total liabilities are listed as \$3, 369,725.42. Included in that number and on the accounts payable line is an entry for Losses in Excess of Investment. This is a non-cash GAAP entry related to investments in Real Estate Holding Companies that have certain depreciation that causes flow through losses to Summit View Health Management in the grand total of \$1,494,404.16. This is not an actual account payable or payable of any kind owed to any other person or entity.

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Additionally, the company has certain deferred compensation calculations that must be maintained for GAAP and Tax reasons listed as deferrals in the amount of \$336,464.51 that are also non-cash items for the period and would be realized in certain future years not in the near term.

Lastly, part of the accruals line has accruals required for Tax reasons for potential future paid days off for employees in the amount of \$112,313.43. These amounts are also non-cash and would be realized in certain future periods.

The grand total of these line items is \$1,943,182.10. When reasonably reviewing the balance sheet with this knowledge, assets would exceed liabilities. The balance sheet, in this case, does not tell the entire story.

Additionally, the company has available line of credit that could be used, as needed, on a temporary basis, to assist the new proposed project to meet financial needs while insurance claims are processing.

Lastly, the new entity has a proposed loan amount from the bank that is in excess of the amount needed to build out the project based on the projected cost estimate. This excess amount is available cash flow for the entity during the initial start-up phase while also awaiting insurance claims processing.

As with all applications, please provide the requested capitalization ratio.

Response: Because the applicant carries no long-term debt, the capitalization ratio will be 0.00.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

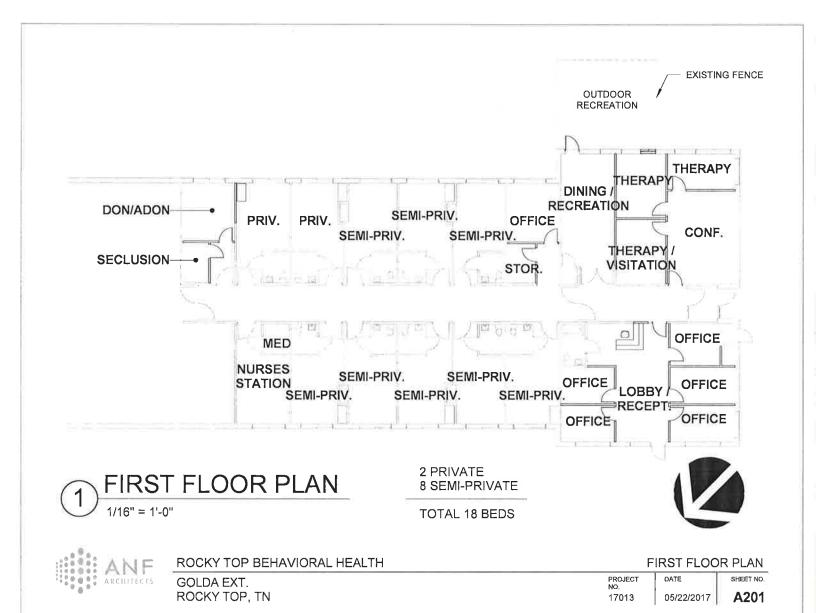
Kim Harvey Looney

KHL:lag
Attachments

Attachment - Section A, Project Details, Item 6B(2)

Revised Floor Plan

May 23, 2017 4:01 pm



May 23, 2017 4:01 pm

Attachment - Section B, Need Item 2(d) List of Providers in Service Area

May 23, 2017 4:01 pm

'Intensive Outpatient Programs, Partial Hospitalization Programs, and Inpatient Hospitalization Options in the Service Area

Anderson County

- 1. Cherokee Health Systems—Mental Health Outpatient Facility
- 2. Anderson County Center—Mental Health Outpatient Facility
- 3. Omni Community Health—Mental Health Outpatient Facility
- 4. Recovery House of East Tennessee—Mental Health Outpatient Facility and Partial Hospitalization Program
- 5. Methodist Medical Center of Oak Ridge—Hospital
- 6. Ridgeview Psychiatric Hospital and Center—Hospital

Campbell County

- 1. Camelot Care Centers—Mental Health Outpatient Facility
- 2. CHET Behavioral Wellness—Mental Health Outpatient Facility
- 3. Dayspring Jellico—Mental Health Outpatient Facility
- 4. Campbell County Center—Mental Health Outpatient Facility
- 5. Omni Community Health LaFollette—Mental Health Outpatient Facility
- 6. Ridgeview at Campbell County and Cumberland Cornerstone—Mental Health Outpatient Facility
- 7. Jellico Community Hospital—Hospital
- 8. Tennova Healthcare LaFollette Medical Center—Hospital

Knox County

- 1. Alternative Counseling Center, LLC—Mental Health Outpatient Facility
- 2. Camelot Care Centers Knoxville—Mental Health Outpatient Facility
- 3. Cherokee Health Systems—Mental Health Outpatient Facility
- 4. Cherokee Health Systems Broadway—Mental Health Outpatient Facility
- 5. Cherokee Health Systems Knox County Health Department Clinic—Mental Health Outpatient Facility
- 6. Cherokee Health Systems Powell—Mental Health Outpatient Facility
- 7. Hardy Clinic—Mental Health Outpatient Facility
- 8. Counseling and Consultation Services, Inc. Knoxville—Mental Health Outpatient Facility
- 9. Covenant Counseling & Consultation Services, LLC—Mental Health Outpatient Facility
- 10. Focus Healthcare of Knoxville, LLC—Mental Health Outpatient Facility
- 11. Health Connect America, Inc. Knoxville—Mental Health Outpatient Facility
- 12. Wellness Ambulatory Care Inc.—Partial Hospitalization Program
- 13. Fort Sanders Regional Medical Center—Hospital
- 14. North Knoxville Medical Center—Hospital
- 15. Parkwest Medical Center—Hospital
- 16. Select Specialty Hospital Knoxville—Hospital
- 17. Select Specialty Hospital North Knoxville—Hospital

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SUPPLEMENTAL #1

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- 18. Tennova Healthcare—Hospital
- 19. Turkey Creek Medical Center—Hospital
- 20. University of Tennessee Memorial Hospital—Hospital

Loudon County

- 1. Cherokee Health Systems Lenoir City—Mental Health Outpatient Facility
- 2. Loudon County Center—Mental Health Outpatient Facility
- 3. Peninsula Outpatient Center Loudon—Mental Health Outpatient Facility
- 4. Fort Loudon Medical Center—Hospital

Morgan County

- 1. Best Homecare LLP—Mental Health Outpatient Facility
- 2. Morgan County Medical Center—Mental Health Outpatient Facility
- 3. WestCare Tennessee, Inc. (Wartburg)—Mental Health Outpatient Facility

Roane County

- 1. Omni Community Health Kingston—Mental Health Outpatient Facility
- 2. Harriman Outpatient Center—Mental Health Outpatient Facility
- 3. Louise Singleton Center and Fresh Start—Mental Health Outpatient Facility
- 4. WestCare Tennessee, Inc.—Mental Health Outpatient Facility
- 5. Roane Medical Center—Hospital

Scott County

- 1. Children's Center of the Cumberlands—Mental Health Outpatient Facility
- 2. Omni Community Health Scott—Mental Health Outpatient Facility
- 3. Ridgeview Outreach/Ouest—Mental Health Outpatient Facility
- 4. Scott County Office of Ridgeview—Mental Health Outpatient Facility
- 5. Pioneer Community Hospital of Scott County—Hospital

Union County

- 1. Cherokee Health Systems Maynardville—Mental Health Outpatient Facility
- 2. Omni Community Health Maynardville—Mental Health Outpatient Facility

Attachment - Section B - Economic Feasibility, Item 1.E Revised Architect Letter

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Attachment - Section B, Item 2(j) Revised Page 15

g. The willingness of the provider to provide inpatient psychiatry services 17 all populations (including those requiring hospitalization on an involuntary base, individuals with co-occurring substance use disorders, and patients with comorbid medical conditions); and

Response: The applicant is unable to provide geropsychiatric services for individuals with co-occurring substance use disorders. As to patients with comorbid medical conditions, identified either when patients present or that become necessary after admission, the applicant will either arrange for treatment on site, or transfer the patient for further medical treatment, depending on which condition is more urgent. The applicant is anywhere from 12 to 21 miles away from the 3 closest hospitals. The applicant will have a nurse practitioner on site 5 days a week and on-call the remainder of the time, so limited medical conditions can be treated on site.

h. The applicant shall detail how the treatment program and staffing patterns align with the treatment needs of the patients in accordance with the expected length of stay of the patient population.

Response: The applicant staffs its treatment programs in accordance with the needs of its patients and their expected lengths of stay.

- i. Special consideration shall be given to an inpatient provider that has been specially contracted by the TDMHSAS to provide services to uninsured patients in a region that would have previously been served by a state operated mental health hospital that has closed.
- j. Response: Not applicable.
- k. Special consideration shall be given to a service area that does not have a crisis stabilization unit available as an alternative to inpatient psychiatric care.

Response: There is not a crisis stabilization unit available as an alternative to inpatient psychiatric care in the service area. Rather, a crisis response team operated as part of Helen Ross McNabb, a not-for-profit provider of behavioral health services in Knoxville, is utilized in order to assess patients for CON for commitment. The closest state facility is Moccasin Bend in Chattanooga.

Incidence and Prevalence: The applicant shall provide information on the rate of incidence and prevalence of mental illness and substance use within the proposed service area in comparison to the statewide rate. Data from the TDMHSAS or the Substance Abuse and Mental Health Services Administration (SAMHSA) shall be utilized to determine the rate. This comparison may be used by the HSDA staff in review of the application as verification of need in the proposed service area.

Response: The 16-county region occupied by the service area, Region 2, accounts for nearly 18% of all CY 2015 admissions for persons 26 or older to regional mental health institutes and private psychiatric hospitals that contract with the Tennessee Department of Mental Health and Substance Abuse Services ("TDMHSAS") respectively, per the 2016 TDMHSAS Behavioral Health County and Region Services Data Book. Admissions in Region 2 have steadily been on the rise from 1.9 per 1,000 population to 2.3 per 1,000 population in CY 2015. Admission rates in the 8 county service area include: Anderson (3.7), Campbell (3.8), Knox (2.5), Loudon (1.4), Morgan (2.9), Roane (3.6), Scott (2.4) and Union (1.2) counties. With the exception of Loudon and Union counties, all service area counties are above the admissions average in Region 2. Anderson County, the location of this proposed project has the highest admission rate, at 3.7, in the service area.

Attachment - Section, Section B, Economic Feasibility, Items 3 and 4

Projected Data Chart Pages 32 and 33

PROJECTED DATA CHART

PPLEME Motal Eachity

May 23, 2017 Project Only (Month).

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in Year 2019 Year 2020 Utilization Data (Specify unit of measure, e.g., 1,000 patient days, A. 2,300 3,650 500 visits) B. Revenue from Services to Patients Inpatient Services \$2,070,000 \$3,285,000 2. **Outpatient Services** 3. **Emergency Services** Other Operating Revenue (Specify) **Gross Operating Revenue** \$2,070,000 \$3,285,000 C. Deductions from Gross Operating Revenue Contractual Adjustments \$57,500 \$91,250 2. Provision for Charity Care 3. Provisions for Bad Debt \$7,981 \$15,961 **Total Deductions** \$65,481 \$107,211 NET OPERATING REVENUE \$2,004,520 \$3,177,789 D. Operating Expenses Salaries and Wages a. Direct Patient Care \$439,400 \$439,400 b. Non-Patient Care \$263,588 \$263,588 2. Physician's Salaries and Wages \$312,000 \$312,000 3. Supplies Rent 4. \$120,000 \$120,000 a. Paid to Affiliates Paid to Non-Affiliates Management Fees: 5. Paid to Affiliates \$140,316 \$222,445 b. Paid to Non-Affiliates 6. Other Operating Expenses \$ 677,011 \$ 1,354,023 \$1,952,315 \$2,711,456 **Total Operating Expenses** E. Earnings Before Interest, Taxes and Depreciation \$52,205 \$466,333 F. Non-Operating Expenses 1 Taxes \$25,015 \$41,692 2. Depreciation 3. Interest Other Non-Operating Expenses **Total Non-Operating Expenses** \$25,015 \$41,692 **NET INCOME (LOSS)** \$27,190 \$ 424,641

Chart Continues Onto Next Page

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NET G.		DME (LOSS) er Deductions	\$	\$
0.	1.	Estimated Annual Principal Debt Repayment	\$ 51,357	\$ 58,770
	2.	Annual Capital Expenditure		
		Total Other Deductions	\$ 51,357	\$ 58.770
		NET BALANCE	\$(24,167)	\$ 365,871
		DEPRECIATION	\$	\$
		FREE CASH FLOW (Net Balance + Depreciation)	\$(24,167)	\$ 365,871

□ Total FacilityX Project Only

PROJECTED DATA CHART-OTHER EXPENSES

OTH	ER EXPENSES CATEGORIES	Year	Year	
1.	Plant and Maintenance	\$ 42,450)	\$ 84,900
2.	Clinical	\$263,433	3	\$526,865
3.	Laundry	\$6,169	9	\$12,339
4.	Ancillary	\$117,807	7	\$235,615
5.	Administration & General	\$247,152	2	\$494,304
6.				
7.				
	Total Other Expenses	\$ 677,011	\$	1,354,023



Attachment - Section B, Need, Item 5 Revised Page 24

May 23, 2017 4:01 pm

A. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The expected management entity of the applicant, Summit View Management, Inc., provides services to an elderly population through its management of two nursing homes located in the applicant's service area - Summit View of Rocky Top, in Anderson County, and Summit View of Farragut in Knox County. As such, it is familiar with the health care needs of this population. The demographics of the service area population show that the population age 65 and older is expected to increase 15% between 2017 and 2021. With the exception of Knox, Anderson and Loudon counties, all of the other counties, which are more rural, have a higher percentage of persons below the poverty level than the state average. The median household income is less than the state average in all counties except Knox and Loudon. The median age in the service area is higher than the state in all counties, except Knox.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: Please see table below for utilization for the geropsychiatric beds in the applicant's service area. Utilization has been steady for the past few years, at close to or above 90%. Occupancies this high in bed units as small as these means these units are generally full, with very limited available capacity.

UTILIZATION IN THE SERVICE AREA GEROPSYCHIATRIC BEDS

		2013				2014			2015		
Facility	Beds	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	
Parkwest	16	5,172	14.2	88.6%	5,462	15	93.5%	5,394	14.8	92.5%	
LaFollette	10	3,425	9.4	93.8%	3,350	9.2	91.8%	3,418	9.4	93.6%	
Ridgeway	16	3,573	9.8	61.2%	3,640	10.0	62.3%	N/A	N/A	N/A	
Tennova	23	8,521	23.3	101.5%	8,972	24.6	106.9%	8,388	23.0	99.9%	

Source: Tennessee Department of Health Joint Annual Report of Hospitals 2013, 2014, 2015.

			2013			2014			2015	
Facility	Age	Adm.	Pt. Days	ALOS	Adm.	Pt. Days	ALOS	Adm.	Pt. Days	ALOS
Derland	18-64	56	539	9.6	49	648	13.2	45	498	11.1
Parkwest	65+	479	4,633	9.7	507	4,814	9.5	461	4,896	10.6
LaFollette	18-64	56	549	9.8	51	519	10.2	56	523	9.3
	65+	262	2,876	11	263	2,831	10.8	2*	2,895	ERROR
Ridgeway	18-64	712	3,429	4.8	678	3,577	5.3	N/A	N/A	N/A
	65+	25	144	5.8	11	63	5.7	N/A	N/A	N/A
Tennova	18-64	881	5,534	6.3	997	5,703	5.7	957	5,594	5.8
	65+	309	2,987	9.7	395	3,269	8.3	329	2,794	8.5

Source: Tennessee Department of Health Joint Annual Report of Hospitals 2013, 2014, 2015. Please note that the admissions numbers for LaFollette in 2015 for patients 65+ appear to be in error and no data is available for Ridgeway 2015.



6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Since this is a new facility, there is no utilization or occupancy statistics for the past three years. The applicant has projected utilization of 2,300 patient days or 35% occupancy for the first year of operation and 3,650 patient days or 56% occupancy for the second full year of operation, increasing to 70% the third full year of operation. In addition, the population based methodology for psychiatric services for the 65 and older patient population identifies a need for 15.5 beds in 2017 and a need for 21.6 beds in 2021. Since you cannot implement a partial bed, rounding the numbers up means a need for 16 beds in 2017, increasing to 22 beds in 2021. Based on this data alone, the applicant feels there

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May 23, 2017 4:01 pm

Letters of Support



May 23, 2017 Emory Family Practice pm

a division of Summit Medical Group, PLLC

Wes Dean, M.D., FAAFP Ronald P. Barton, M.D. Brad A. Flaming, M.D. Kathy N. Chism, M.D. Nick P. Thornton, M.D. Sherrie Jenkins, MSN, APN-BC Carlie Mullen, MSN, APN-BC

May 23, 2017

To Whom It May Concern:

I have been made aware of a request for certificate of need regarding a geriatric mental health facility that is proposed for Rocky Top, Tennessee. I am a family physician practicing in North Knox County which is definitely in the service area of the proposed facility. There is certainly a paucity of this type of service in the area. I would certainly support the development of Behavioral Health of Rocky Top due to the lack of these services. There are a significant number of primary care providers in this area, especially in North Knox County, that I believe would also benefit from this facility.

Sincerely,

Wesley Dean, M.D., FAAFP

WD/jdc

201 East Emory Road Powell, TN 37849 Phone (865) 938-3627 Fax (865) 938-3647 www.emoryfamilypractice.com



Knoxville Neurology Specialists, PLLC

May 19, 2017

To Whom It May Concern:

I write this letter in support for the proposed geriatric psych unit in Rocky Top Tennessee. I am currently a practicing neurologist in Knoxville and care for a number of patients with degenerative dementias. At times these patients will have behavior disturbances that precludes them from being managed at home in a safe environment. This requires inpatient services. Currently in the Knoxville area, we only have 2 available facilities that can provide these much needed services. Given the lack of capacity for these units to take these patients, In the past I have had to admit them to a regular hospital and wait on a bed to become available at one of those facilities. It would be in our community's best interest if the proposed additional 18 bed unit proposed by Behavioral Health of Rocky Top be approved.

Sincerely,

Darrell Thomas, MD

501 Twentieth Street, Suite 505 Knoxville, TN 37916 865-546-0157

Fax: 865-546-6144



315 Gill Avenue • Knoxville, Tennessee 37917 Tele: (865) 546-7330 • Fax: (865) 546-6643

E-mail: staff@interfaithhealthclinic.org www.interfaithhealthclinic.org

May 23, 2017

Re: Certificate of Need / Behavioral Health of Rocky Top

To Whom It May Concern:

While serving as Executive Director for InterFaith Health Clinic, I have seen many individuals not have access to the care they so desperately need. And, the care their loved ones so desperately want them to have.

We serve a population that access to healthcare is an ongoing struggle to obtain due to a lack of insurance. But, one of the sad situations in our area is that access to in-patient geriatric psychiatric services are so limited, patients with great insurance have trouble getting the care they need. This just complicates the ability to provide access for our uninsured patients.

We hope that you will issue a Certificate of Need for this 18 bed facility. While we are located in Knox County, last year we served individuals from 24 counties. This will align very well with Behavioral Health of Rocky Top. They will be located in Anderson County but will serve patients from the contiguous counties. This includes Knox County.

Again, the need is great. We struggle to provide access to care. Please consider easing this burden. Not to make our jobs easier. But to enhance the lives of those who desperately need this service and the lives of their families.

Sincerely,

Melissa H. Knight

Executive Director





May 22, 2017

Ms. Melanie Hill Executive Director Health Services & Development Agency 502 Deaderick Street Andrew Jackson Building, 9th Floor Nashville, TN 37243

> Re: Behavioral Health of Rocky Top, LLC Certificate of Need Application CN1705-015

Dear Ms. Hill:

As the Director of Nursing Services for Summit View of Rocky Top, a licensed skilled nursing facility located in the same building as the proposed facility, I am writing today to express my support for the Certificate of Need Application filed by Behavioral Health of Rocky Top, LLC, CN1705-015, seeking the establishment of an inpatient geropsychiatric hospital in Anderson County. I have served as the director of nursing at Summit View of Rocky Top for four (4) years, and I am intimately familiar with the high quality of services offered at the skilled nursing facility currently being operated at the applicant's proposed location. We serve our geriatric residents' needs admirably. However, we have had some difficulty in the past in placing residents who are in need of more intensive inpatient psychiatric services, especially in a location that is convenient to our residents and their families.

In the past two months, there have been at least four instances where we have experienced difficulties in obtaining inpatient geropsych services for our residents:

• A female resident was having visual and auditory hallucinations. She was also making vague comments regarding self-harm. We experienced a four-day wait in getting her admitted to a psych unit because there were no available beds. She was placed in the Tennova Healthcare Jamestown unit in Fentress County. This location is approximately 70 miles from our facility.



- A male resident was suffering from behavioral disturbances and hallucinations.
 We were unable to get him admitted to a psych unit for seven days due to the
 unavailability of a male bed. He was placed in the Tennova Healthcare
 Jamestown unit in Fentress County. This location is approximately 70 miles from
 our facility.
- A female resident was suffering from extreme psychological disturbances and barricaded herself in her room, refusing to allow staff entrance. We experienced a three-day wait in locating an available inpatient psychiatric bed for the resident. During that time period, it was necessary to keep the resident under 24/7 observation due to vague threats of self-harm.
- A female resident was suffering from visual and auditory hallucinations. She
 needed admission to an inpatient psychiatric unit for evaluation and medication
 review, but a bed was not available for a period of five days.

The above are just the most recent examples of the unavailability of these vital inpatient services in our area. There have been numerous additional instances of residents needing more focused and specialized inpatient psychiatric services who have struggled to receive these services due to the unavailability of inpatient geropsychiatric beds in the service area. There are very few inpatient beds available as a general matter, and need for specialized inpatient psychiatric services is continuing to grow along with the geriatric population in the area. More bed availability would greatly improve our ability to care for our residents in need of these services and to ensure that they receive vital treatment for their mental health needs.

As such, I support the application for establishment of a geropsychiatric mental health hospital, and urge that you approve the Certificate of Need Application filed by Behavioral Health of Rocky Top, CN1705-015.

Sincerely,

Sheila Ramsey, RN

Director of Nursing Services Summit View of Rocky Top 204 Industrial Park Drive Rocky Top, TN 37769

This Kamary

(P): (865) 426-2147

MAY 23 '17 PMG:0

SUPPLEMENTAL #1

May 23, 2017 4:01 pm

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: BEHAVIORAL HEALTH OF ROCKY TOP, LLC CN107-015

I, Kim H. Looney, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23rd day of May, 2017, witness my hand at office in the County of Tennessee, State of Tennessee.

NOTARY PUBLIC

My commission expires: January 8, 2019

HF-0043

Revised 7/02



Supplemental #1

(Addl Response)

Behavioral Health of Rocky Top, LLC

CN1705-015





F.O. Box 198966
Nashville, TN 37219-8966

Kim Harvey Looney 615.850.8722 direct kim.looney@wallerlaw.co

May 24, 2017

VIA HAND DELIVERY

Phillip M. Earhart
Health Services Development Examiner
Tennessee Health Services and Development Agency
502 Deaderick Street
9th Floor
Nashville, TN 37243

Re: Certificate of Need Application CN1705-015 Behavioral Health of Rocky Top, LLC

Additional Response to Supplemental

Dear Phillip:

This letter is submitted as the supplemental response to your email dated May 18, 2017, wherein additional information or clarification was requested regarding the above-referenced CON application.

1. What type of contracted services such as dietary and laundry will be shared with the adjoining existing nursing home?

Response: The dietary services will be shared with the adjoining Nursing Facility. The laundry services will be provided under contract with the Summit View Health Management laundry facility. The laundry is offsite of the nursing facility/proposed hospital and fully capable of increased capacity. The offsite nature means we can provide the services at less cost that if we were doing it onsite. There is an economy of scale that goes on here.

2. What type of inpatient geriatric psychiatric experience will the clinical staff have?

Response: Our plan is to hire the most experienced psychiatric clinical staff possible and we will pay particular attention to hiring geriatric psychiatric staff where possible. We are already in the process of forming a list and approaching experienced psychiatric providers and have identified those with experience in geriatrics as primary targets of interest.

3. Will the nursing home and proposed geriatric inpatient unit share a physical therapist, occupational therapist, or speech therapist?

Response: At our current nursing facility location, we are fully staffed with physical therapists, occupational therapists and speech language pathologists. With that said, some of these staff members work part-time. We foresee no issue staffing the hospital with therapists. We will

May 24, 2017 10:08 am

waller

Phillip M. Earhart May 24, 2017 Page 2

contract with the therapists currently providing services at the nursing home where it is feasible, both from a cost and availability standpoint.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

Kim Harvey Looney

K transect / by alex mills

KHL:lag
Attachments

May 24, 2017 10:08 am

<u>AFFIDAVIT</u>

STATE OF TENNESSEE
COUNTY OF DAVIDSON

. . . .

NAME OF FACILITY: BEHAVIORAL HEALTH OF ROCKY TOP, LLC CN107-015

I, Kim H. Looney, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

K Looning / by alex mills Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 24th day of May, 2017, witness my hand at office in the County of Tennessee, State of Tennessee.

My commission expires: January 8, 2019

HF-0043

Revised 7/02



Supplemental #2

Behavioral Health of Rocky Top

CN1705-015



SUPPLEMENTAL #2

Valler Lansden Dortch & David LLP
11 Union Street, Suite 2700 May 25,5 20,187
P.O. Box 198966
Nighville, TN 37219-8966
Street Harvey Looney
12,850.8722 direct kim-looney@wallerlaw.com

May 25, 2017

VIA HAND DELIVERY

Phillip M. Earhart
Health Services Development Examiner
Tennessee Health Services and Development Agency
502 Deaderick Street
9th Floor
Nashville, TN 37243

Re: Certificate of Need Application CN1705-015

Behavioral Health of Rocky Top, LLC Additional Response to Supplemental

Dear Phillip:

I am writing today to provide you with the Architect's Letter that was promised in our supplemental responses dated May 23, 2017, in response to Supplemental Questions 4 & 15. In addition, I am providing you with a revised plot plan correctly illustrating the cross-streets as Industrial Park Drive and Golda Avenue. We are also attaching a revised page 6 of the application reflecting this information.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

Kim Harvey Looney

Ktoway 64 alexande

KHL:lag
Attachments



May 25, 2017 3:50pm

May 25, 2017



ARCHITECTURE PLANNING INTERIOR DESIGN

Successful Clients Innovative Design

PARTNERS

Bill Ferguson, AiA

Rebecca Conrad, AIA, LEED AP

Scott Dicus, AIA, LEED AP

Daniel Garrigan, AIA

Joe Wieronski, AIA, LEED AP BD+C

ASSOCIATES

Derrick Choo, LEED AP

Bob Land, AIA, LEED AP BD+C

Linda Smith

Amanda Whitaker, AIA Jim Wilkins, AIA

AFFILIATES

Lee Askew III, FAIA, Partner Emeritus Bill Nixon, Partner Emerit Louis R. Pounders, FAIA

1500 Union Avenue Memphis, TN 38104

901,278,6868

www.anfa.com



TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

RE:

Rocky Top Mental Health Hospital

ANF Project No. 17013

To Whom It May Concern:

I have reviewed the Owner's estimate of \$298,500 for construction costs and believe that this is a reasonable estimate of costs for the proposed work. The Scope of Work involves converting approximately half of one wing of an existing nursing home for use as a mental health hospital. Conversion of the existing resident rooms will involve minimal expense. Most of the expense consists of constructing offices in the the existing Dining/Activities and Physical Therapy spaces. This cost estimate appears adequate to complete this work in accordance with ferderal, state and local codes and ordinances enforced by authorities having jurisdiction including the International Building Code, AIA Guidelines for Design and Construction of Hospital and Helath Care Facilities, the NFPA Life Safety Code, and all other requirements imposed by the licensure authority, the Tennessee Department of Mental Health and Substance Abuse Services.

Please contact me if you have any questions regarding this estimate.

Thank you for your attention to this matter.

Sincerely,

ANF ARCHITECTS, Inc.

H. Daniel Garrigan, AIA Partner

Encl: Cost Estimate

cc: Joe Strawn, SHM

File 17013

May 25, 2017 3:50pm

6A.	Leg	al Interest in the Site o	f the I	nstitution	(Check One)	
	A.	Ownership	-		to Lease	X	
	В.	Option to Purchase			Other (Speci	fy)	
	C.	Lease of 5 Years				• .	

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements <u>must include</u> anticipated purchase price. Lease/Option to Lease Agreements <u>must include</u> the actual/anticipated term of the agreement <u>and</u> actual/anticipated lease expense. The legal interests described herein <u>must be valid</u> on the date of the Agency's consideration of the certificate of need application.

Response: See copy of Option to Lease included as <u>Attachment A-6A</u>.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. <u>DO NOT SUBMIT</u> BLUEPRINTS. Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan must include:
 - a. Size of site (in acres);
 - b. Location of structure on the site;
 - c. Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.

Response: The size of the site is 4.39 acres, and the location of the structure is identified on the site. Streets that cross or border the site include Industrial Park Drive and Golda Avenue. See plot plan included as <u>Attachment 6B-1</u>.

2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 ½ by 11 sheet of paper or as many as necessary to illustrate the floor plan.

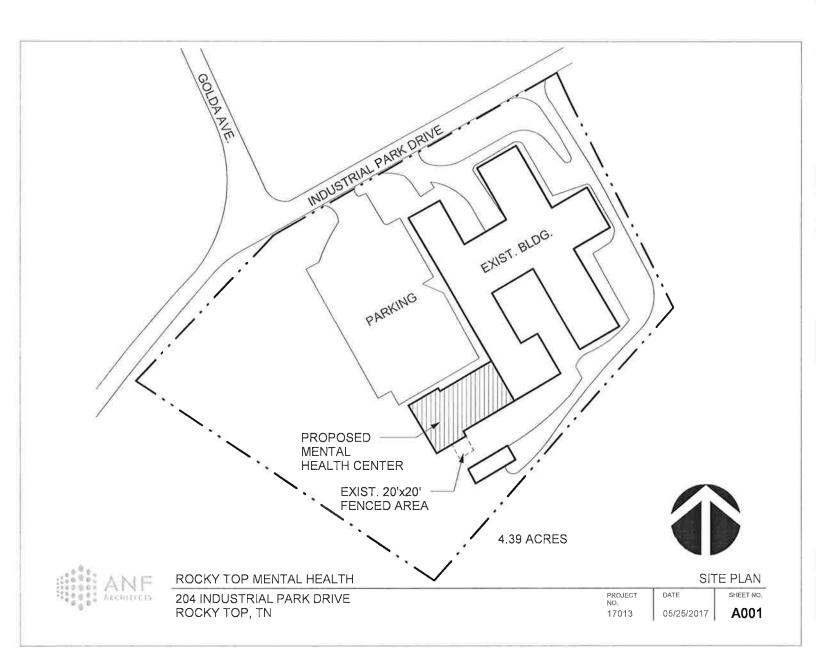
Response: Sixteen of the patient care rooms will be semi-private and two will be private. See floor plan included as <u>Attachment 6B-2</u>.

3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

Response: While there is no public transportation in Rocky Top, it is located close to I75, just a few miles off Exit 128, making it conveniently located for those patients who are expected to seek services from the applicant, and their family members who will visit them.

May 25, 2017 3:50pm



AFFIDAVIT

SUPPLEMENTAL #2
May 25, 2017
3:50pm

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: BEHAVIORAL HEALTH OF ROCKY TOP, LLC CN107-015

I, Kim H. Looney, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25th day of May, 2017, witness my hand at office in the County of Tennessee, State of Tennessee.

NOTARY PUBLIC

My commission expires: January 8, 2019

HF-0043

Revised 7/02



Supplemental #A2A

Behavioral Health of Rocky Top

CN1705-015



Waller Lansden Dortch & Da 511 Union Street, Suite 2700 Ma P.O. Box 198966 Nashville, TN 37219-8966

Kim Harvey Looney 615,850,8722 direct kim looney@wallerlaw.com

May 30, 2017

VIA HAND DELIVERY

Phillip M. Earhart Health Services Development Examiner Tennessee Health Services and Development Agency 502 Deaderick Street 9th Floor Nashville, TN 37243

Re: Certificate of Need Application CN1705-015

Behavioral Health of Rocky Top, LLC

Second Supplemental Request

Dear Phillip:

This letter is submitted as the supplemental response to your letter dated May 25, 2017, wherein additional information or clarification was requested regarding the above-referenced CON application.

1. Section A, Executive Summary, Item A., (4) Existing Similar Services

HSDA staff verified via phone that Tennova Healthcare located at 900 East Oak Hill Avenue, Knoxville (Knox County) currently licenses 10 of their 32 licensed inpatient psychiatric beds as geriatric beds. The applicant did not include this provider as an existing similar provider. Please provide a replacement page 2 (R-2) including Tennova Healthcare's 10 bed geriatric psychiatric unit.

Response: Please see revised page 2 included as Attachment Section A, Executive Summary, Item A-4.

2. Section A: , Executive Summary, Item B., Rationale for Approval (1) Need

Please revise the inventory of inpatient geriatric beds in the proposed service area from 26 to 36, and provide a replacement page (R-3).

Response: Please see revised page 3 included as Attachment Section A, Executive Summary, Item B.

waller

May 30, 2017 2:46 pm

·Phillip M. Earhart May 30, 2017 Page 2

3. Section A: Project Details Item 12 Square Footage and Cost Per Square Footage Chart

It is noted the applicant will provide a revised architect's letter at a later date clarifying if \$298,000 is adequate to bring a nursing home up to mental health hospital standards.

Response: A revised architect's letter was submitted from ANF Architects to the HSDA Thursday, May 25, 2017. Please see a copy included as <u>Attachment Section B, Economic Feasibility</u>, Item 1.E.

4. Section B, Need, Item 1. Determination of Need (Psychiatric Inpatient Services-Service Specific Criteria-)

Please revise the inventory of inpatient geriatric beds in the proposed service area from 26 to 36, and provide a replacement page (R-13) and (R-14).

Response: Please see revised pages 13 and 14 included as Attachment Section B, Need, Item 1.

5. Section B, Need, Item 2.d Continuum of Care. (Psychiatric Inpatient Services-Service Specific Criteria-)

Your response is noted. However, the intent of the question is to provide a snapshot of hospital based geriatric psychiatric services in the proposed service area only. Please verify the following chart that will indicate the applicant's service area 65+ Geriatric Psychiatric Continuum of Care.

Response: Verified.

Provider Name	Intensive Outpatient	Partial Hospitalization	Inpatient Hospitalization			
	Program	Program	Name	# beds		
Anderson County	None	none	none			
Campbell County	None	none	Tennova Healthcare-LaFollette Medical Center-10 beds	10		
Knox County	None	none	 Parkwest-16 Geriatric Beds Tennova 900 East Oak Avenue, 10 geriatric beds 	16 10		
Loudon County	None	none	none			
Morgan County	None_	none	none			
Roane County	None	none	none			
Scott County	None	none	none			
Union County	None	none	none			

waller

May 30, 2017 2:46 pm

·Phillip M. Earhart May 30, 2017 Page 3

6. Section B, Need, Item 2.j Crisis Stabilization Unit. (Psychiatric Inpatient Services-Service Specific Criteria-)

The applicant responded to Item I and labeled the response as "J". Item "J" is the last question under additional factors. Please adjust and remove item "K" and submit a replacement page. An example of the needed correction is attached to the end of the supplemental questions.

Response: Please see revised page 15 included as <u>Attachment Section B</u>, Need, Item 2.j removing item "K."

7. Section B, Need, Item 10 Relationship to Existing Similar Services (Psychiatric Inpatient Services-Service Specific Criteria-)

The chart of geriatric utilization in the proposed service area is noted. Please include the 10 bed geriatric inpatient utilization for Tennova Healthcare located at 900 East Oak Hill Avenue, Knoxville (Knox County) and provide a revised page 17 (R-17) and 18 (R-18).

Response: Please see revised pages 17 and 18 included as <u>Attachment Section B</u>, <u>Need, Item 10</u> including the 10 bed geriatric inpatient utilization for Tennova Healthcare.

8. Section B, Need, Item 15 Data Usage. (Psychiatric Inpatient Services-Service Specific Criteria-)

Please include the 10 bed geriatric inpatient utilization for Tennova Healthcare located at 900 East Oak Hill Avenue, Knoxville (Knox County) in your response and provide a replacement page 19 (R-19).

Response: Please see revised page 19 included as <u>Attachment Section B</u>, <u>Need, Item 15</u> including the 10 bed geriatric inpatient utilization for Tennova Healthcare.

9. Section B, Need, Item 18 Quality Control and Monitoring. (Psychiatric Inpatient Services-Service Specific Criteria-)

In response to question 11 in Supplemental 1 regarding quality improvement programs, the applicant notes that the nursing home where it will share space was awarded the 2016 Bronze Award from AHCA/NCAL National Quality Award for its Quality Improvement Program. We understand the goal of the award is to provide applicants with the tools and resources they need for continuous performance improvements. Did the nursing home receive the award before or after it was cited with a S/S G level deficiency (Actual harm that is not Immediate Jeopardy)? How is this team going to provide the expertise it needs to provide quality improvement processes for a mental health hospital?

Response: The award was received before it was cited with a S/S G level deficiency. The Wound Care Nurse involved was replaced and an NP was engaged to ensure that protocols are followed in the future. Applicant has familiarized itself with mental health hospital quality improvement processes. Applicant's management company already aids in providing

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May 30, 2017 2:46 pm

·Phillip M. Earhart May 30, 2017 Page 4

Alzheimer's care and dementia care at the SNF on an as-needed basis, and so is familiar with providing for the needs of patients with mental complications. Furthermore, in addition to its quality assurances processes, the applicant and its Management Team are committed to ensuring safe and quality care, addressing potential issues as soon as they arise, and bringing in outside expertise where necessary to address any concerns.

10. Section B. Need, Item 5

It is noted in the gero-psychiatric utilization table Tennova is licensed for 23 beds. However, after HSDA telephonic contact with Tennova, it is noted the applicant is actually licensed for 32 beds (22 beds 18-65 and 10 beds 65+). Please revise the two charts assigning 10 licensed inpatient gero-psychiatric beds to Tennova and submit.

Response: Please see revised page 24 included as Attachment Section B, Need, Item 5.

The applicant appears to incorrectly refer to Ridgeview Psychiatric Hospital as "Ridgeway". Please confirm.

Response: Please see revised page 24 correcting Ridgeway to Ridgeview included as Attachment Section B, Need, Item 5.

11. Section B. Economic Feasibility Item 1.E Architect's Letter

It is noted the architect's letter to include an estimate of the cost to construct the project and an attestation the physical environment will conform to applicable federal standards, licensing agencies' requirements including AIA Guidelines and Design and Construction of Hospital and Health Care facilities in current use by the licensing authority is forthcoming and will be submitted at a later date.

Briefly describe the construction required to retrofit the nursing home wing to mental health hospital standards.

Response: Applicant and its architect are familiar with the physical facility requirements for a Mental Health Hospital. Because the facility will be constructed from an already operational Skilled Nursing Facility, also a residential health care facility, many of the requirements for hospital construction are already met. As such, the requirements to convert the space for use from a Skilled Nursing Facility to a mental health hospital will be minimal. A partition wall will need to be built for the administration and conference/consultation areas; a secured 20 x 20 outside area will be constructed off of the dining room; a double egress, cross corridor door unit will be used to separate the hospital from the Skilled Nursing Facility, and certain minor alterations may need to be made to complete patient rooms. Please also see revised letter from ANF Architects included as Attachment Section B, Economic Feasibility, Item 1.E.

May 30, 2017 2:46 pm

waller

·Phillip M. Earhart May 30, 2017 Page 5

12. Section B, Economic Feasibility, Item 5.A Project's Average Gross Charge, Average deduction from Operating Revenue, and Average Net Charge

The Deduction from Revenue and Average Net Charge for Years One and Two appears to be incorrect. The Average deduction from Operating Revenue for Year One calculates to \$28.41 and \$29.37 in Year Two. The average Net Charge calculates to \$871.53 in Year One and \$870.62 in Year Two. Please revise and submit a page 34 (R-34).

Response: Please see revised page 34 correcting mathematical errors included as <u>Attachment Section B</u>, Economic Feasibility, Item 5.A.

13. Section B, Economic Feasibility, Item 5.C

The Average Net Charges for Year One and Year Two is noted. However, it appears the average Net Charge for Year One is \$8,530 (\$2,004,250/235 admissions) and Year Two is \$8,542 (\$3,177,789/372 admissions) in Year Two. Please verify.

Response: Verified. The Average Net Charge per admission for Year One is \$8,530 and the Average Net Charge Per Admission for Year Two is \$8,542.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

Kim Harvey Looney

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KHL:lag
Attachments

SUPPLEMENTAL #A2A

May 30, 2017
2:46 pm

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: BEHAVIORAL HEALTH OF ROCKY TOP, LLC CN107-015

I, Kim H. Looney, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of May, 2017, witness my hand at office in the County of Tennessee, State of Tennessee.

NOTARY PUBLIC

My commission expires: January 8, 2019

HF-0043

Revised 7/02



May 30, 2017 2:46 pm

Attachment - Section A, Executive Summary, Item A-4

Replacement Page 2

1. SECTION A: EXECUTIVE SUMMARY

SUPPLEMENTAL #A2A May 30, 2017 2:46 pm

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Response: The applicant seeks to establish a mental health hospital with 18 beds, limited to geropsychiatric patient services, which will be licensed by the Tennessee Department of Mental Health and Substance Abuse Services ("TDMHSAS"). The applicant will lease space from Summit View of Rocky Top, a nursing home with 117 licensed beds. The number of licensed beds at the nursing home will not change as a result of this project. Although located in the same building, there will be no shared space between the nursing home and proposed project, and they will be separately licensed facilities. The geropsychiatric beds are considered new beds for the purposes of providing psychiatric services, and not a conversion of nursing home beds, even though the nursing home has excess bed capacity. Renovation required is minimal. The applicant is a new provider and has no outstanding but unimplemented certificates of need.

2) Ownership structure;

Response: The applicant is Behavioral Health of Rocky Top, and the owner is Behavioral Health of Rocky Top, LLC a Tennessee limited liability company. The owner/member of Behavioral Health of Rocky Top, LLC is Summit View Health Management, Inc.

3) Service area;

Response: The service area for the applicant includes Anderson, Campbell, Knox, Loudon, Morgan, Roane, Scott and Union Counties. The service area is reasonable; it includes the counties that are contiguous to Anderson, the location of the proposed geropsychiatric beds. Only Knox and Campbell Counties, as described below, have geropsychiatric beds.

4) Existing similar service providers;

Response: The only providers in the applicant's service area that offer geropsychiatric services are Parkwest Hospital in Knox County, which has 16 beds designated for geropsychiatric services, Tennova Healthcare (Knox County), with 10 geropsychiatric beds, and Tennova LaFollette Hospital in Campbell County, with 10 geropsychiatric beds. According to the 2015 Joint Annual Report, Parkwest had an occupancy rate of 92.5%, Tennova Healthcare had 76.5%, and LaFollette had an occupancy rate of 93.6%. The occupancy rates and low numbers of beds demonstrate that these facilities are generally full, with very limited ability to accept new patients at any given time.

5) Project cost;

Response: The applicant anticipates the project costs will be approximately \$1,160,500, including \$600,000 for lease costs for the facility and the land, \$298,500 for construction costs, \$92,000 for moveable equipment and \$75,000 for other expenses, including computers, software and miscellaneous items. The construction costs per square foot for the renovated space is \$75.39, which is below the 1st quartile for construction costs, according to the information published on the HSDA website.

May 30, 2017 2:46 pm

Attachment - Section A, Executive Summary, Item B Replacement Page 3

6) Funding;

May 30, 2017

Response: The applicant anticipates receiving funding from US Bank and a funding letter is included. The estimated lease costs will be paid over the term of the lease and will be paid out of current operating revenues so are not included as part of the funding costs.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

Response: The applicant anticipates a positive financial margin in the first year of operation. The actual costs of the project, including construction costs, are minimal since the beds are already in existence.

8) Staffing.

Response: The applicant anticipates staffing the unit with 10.75 clinical FTEs, including 4.5 RN, 1.0 LPN, 2.0 nurse aides, 1.0 LSW, 1.0 activities therapist, a contracted psychiatrist/medical director (1.0), contracted physical therapist (0.15), occupational therapist (0.05), and speech therapist (0.05).

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

Response: The population-based estimate of the total need for psychiatric inpatient services is a guideline of 30 beds per 100,000 population. However, because the elderly population exhibits psychiatric disorders or issues at a higher rate than the younger population cohorts, this means that the need for psychiatric services for the elderly may be underestimated when the formula is applied to that particular population. Applying the population-based methodology to the population aged 65 and older shows a need for 41.5 geropsychiatric beds in 2017. There are currently 36 geropsychiatric beds in the service area, for a net need for 6 beds in 2017. In 2019, the need increases to 44.5 beds or a net need of 9 beds. By the year 2021, the need increases to 47.6 beds or a net need of 12 beds. Because you cannot provide services in a partial bed, net need has been rounded up to the nearest whole number.

The population aged 65 and older in the service area is expected to grow 15% between 2017 and 2021, which also supports the need for additional beds. The high rate of utilization in the area is a further indicator of need for additional inpatient psychiatric services in the area. The lowest utilization rate for an inpatient geropsychiatric unit in the Service Area for 2015 was Tennova Healthcare with a 76.5% utilization rate; Parkwest was at 92.5% and LaFollette at 93.6%. These annual averages indicate the facilities are all effectively full and can mask a problem of a wide swing in census and a lack of available beds on many days, particularly when two of the facilities have only 10 beds.

The fact that many of the beds are semi-private is also an exacerbating circumstance. It is necessary to separate patients by gender, and sometimes diagnosis. In a busy week, having to use semi-private rooms as private rooms to achieve gender separation and appropriate diagnosis mix can lower available bed capacity dramatically. That constraint is not reflected in annual average occupancy calculations that assume all empty beds are always available. This problem becomes even more challenging where there are a small number of beds at a given facility.

The closest available geropsychiatric services for patients in the Service Area are often quite distant from their homes, leading to difficulty in accessing services, especially given the somewhat rural nature of the Service Area. Letters of support provided by various providers in the service area indicate a difficulty in placing their patient population when there is a need for inpatient geropsychiatric services. They report that when the need arises for these services, it is generally quite pressing, and that a delay of days in securing these services can present serious issues when time is of the essence for treatment for a fragile elderly patient population.

The applicant feels there is a need for at least 18 additional geropsychiatric beds in its service area in 2021 based on the factors above. The applicant plans to accept involuntary admissions, services which are not provided by the Tennova Healthcare facilities. Further supporting the need for additional beds is the lack of a crisis stabilization unit for geropsychiatric patients available as an alternative to inpatient psychiatric care in the service area. A crisis response team operated as part of the Helen Ross McNabb, a not-for-profit provider of behavioral health services in Knoxville, is utilized in order to assess geropsychiatric patients for CON for commitment. The closest state facility is Moccasin Bend Mental Health Institute in Chattanooga, approximately 106 miles away.

2) Economic Feasibility;

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SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

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In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at http://www.tn.gov/hsda/article/hsda-criteria-and-standards.

PSYCHIATRIC INPATIENT SERVICES

1. Determination of Need: The population-based estimate of the total need for psychiatric inpatient services is a guideline of 30 beds per 100,000 general population, using population estimates prepared by the TDH and applying the applicable data in the Joint Annual Report (JAR). These estimates represent gross bed need and shall be adjusted by subtracting the existing applicable staffed beds including certified beds in outstanding CONs operating in the area as counted by the TDH in the JAR. For adult programs, the age group of 18-64 years shall be used in calculating the estimated total number of beds needed; additionally, if an applicant proposes a geriatric psychiatric unit, the age range 65+ shall be used. For child inpatients, the age group is 12 and under, and if the program is for adolescents, the age group of 13-17 shall be used. The HSDA may take into consideration data provided by the applicant justifying the need for additional beds that would exceed the guideline of 30 beds per 100,000 general population. Special consideration may be given to applicants seeking to serve child, adolescent, and geriatric inpatients. Applicants may demonstrate limited access to services for these specific age groups that supports exceeding the guideline of 30 beds per 100,000 general population. An applicant seeking to exceed this guideline shall utilize TDH and TDMHSAS data to justify this projected need and support the request by addressing the factors listed under the criteria "Additional Factors".

Response: Applying the population-based formula for psychiatric services of 30 beds per 100,000 population aged 65 and older in the service area shows a need for 41.5 geropsychiatric beds in 2017. There are currently 36 geropsychiatric beds in the service area, so there is net need for at least 6 beds for the service area population aged 65 and older. In 2019, that need increases to 44.5 beds, or a net need of at least 9 beds. In 2021, the need increases to 47.6 beds, or a net need of 12 beds. Because you cannot provide services in a partial bed, net need has been rounded up to the next closest whole number for purposes of this analysis. Because the formula generally underestimates the

needs for the geriatric population, the already high utilization of gerossinal rices in the Service Area, coupled with a lack of available beds that may not necessarily and computed in those numbers due to the use of semi-private rooms, the applicant feels there is a need for at least 18 additional geropsychiatric beds in the service area in 2021. The population aged 65 and older is expected to grow 15% between 2017 and 2021, which also increases demand for additional beds. Please see the table below which identifies the need for additional beds in the service area between 2017, and 2021.

Service Area Bed Need

	2017				2019				2021			
	Рор.	Gross Need	Beds	Net Need	Pop.	Gross Need	Beds	Net Need	Pop.	Gross Need	Beds	Net Need
Service Area	138,454	41.5	36	5.5 (6)	148,417	44.5	36	8.5 (9)	158,746	47.6	36	11.6 (12)

Source: Tennessee Department of Health projected population data: 2017, 2019, and 2021.

- 2. Additional Factors: An applicant shall address the following factors:
 - a. The willingness of the applicant to accept emergency involuntary and nonemergency indefinite admissions;

Response: The applicant plans to accept involuntary admissions.

b. The extent to which the applicant serves or proposes to serve the TennCare population and the indigent population;

Response: The applicant will be a certified TennCare provider, but because of the age of the patient population served, anticipates that the overwhelming majority of its patients will be Medicare, and any TennCare patients will most likely be crossover patients.

c. The number of beds designated as "specialty" beds (including units established to treat patients with specific diagnoses);

Response: The beds are all "specialty" beds and will be limited to geropsychiatric services.

d. The ability of the applicant to provide a continuum of care such as outpatient, intensive outpatient treatment (IOP), partial hospitalization, or refer to providers that do;

Response: The applicant plans to focus its efforts on inpatient geropsychiatric services and plans to refer to other providers who can provide outpatient, IOP, or partial hospitalization services, when those services are warranted.

e. Psychiatric units for patients with intellectual disabilities;

Response: The applicant does not serve this patient population.

f. Free standing psychiatric facility transfer agreements with medical inpatient facilities;

Response: The applicant plans to have transfer agreements with area acute care hospitals including Tennova Lafollette Hospital, Methodist Oak Ridge, and Tennova Healthcare in Knoxville.

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g. The willingness of the provider to provide inpatient psychiat Mayer 10 e 107 all populations (including those requiring hospitalization on an involuntary basis: 40 in male with co-occurring substance use disorders, and patients with comorbid medical conditions); and

Response: The applicant is unable to provide geropsychiatric services for individuals with co-occurring substance use disorders. As to patients with comorbid medical conditions, identified either when patients present or that become necessary after admission, the applicant will either arrange for treatment on site, or transfer the patient for further medical treatment, depending on which condition is more urgent. The applicant is anywhere from 12 to 21 miles away from the 3 closest hospitals. The applicant will have a nurse practitioner on site 5 days a week and on-call the remainder of the time, so limited medical conditions can be treated on site.

h. The applicant shall detail how the treatment program and staffing patterns align with the treatment needs of the patients in accordance with the expected length of stay of the patient population.

Response: The applicant staffs its treatment programs in accordance with the needs of its patients and their expected lengths of stay.

i. Special consideration shall be given to an inpatient provider that has been specially contracted by the TDMHSAS to provide services to uninsured patients in a region that would have previously been served by a state operated mental health hospital that has closed.

Response: Not applicable.

j. Special consideration shall be given to a service area that does not have a crisis stabilization unit available as an alternative to inpatient psychiatric care.

Response: There is not a crisis stabilization unit available as an alternative to inpatient psychiatric care in the service area. Rather, a crisis response team operated as part of Helen Ross McNabb, a not-for-profit provider of behavioral health services in Knoxville, is utilized in order to assess patients for CON for commitment. The closest state facility is Moccasin Bend in Chattanooga.

3) Incidence and Prevalence: The applicant shall provide information on the rate of incidence and prevalence of mental illness and substance use within the proposed service area in comparison to the statewide rate. Data from the TDMHSAS or the Substance Abuse and Mental Health Services Administration (SAMHSA) shall be utilized to determine the rate. This comparison may be used by the HSDA staff in review of the application as verification of need in the proposed service area.

Response: The 16-county region occupied by the service area, Region 2, accounts for nearly 18% of all CY 2015 admissions for persons 26 or older to regional mental health institutes and private psychiatric hospitals that contract with the Tennessee Department of Mental Health and Substance Abuse Services ("TDMHSAS") respectively, per the 2016 TDMHSAS Behavioral Health County and Region Services Data Book. Admissions in Region 2 have steadily been on the rise from 1.9 per 1,000 population to 2.3 per 1,000 population in CY 2015. Admission rates in the 8 county service area include: Anderson (3.7), Campbell (3.8), Knox (2.5), Loudon (1.4), Morgan (2.9), Roane (3.6), Scott (2.4) and Union (1.2) counties. With the exception of Loudon and Union counties, all service area counties are above the admissions average in Region 2. Anderson County, the location of this proposed project has the highest admission rate, at 3.7, in the service area.

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Attachment - Section, Section B, Need, Item 10 Replacement Pages 17 and 18

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given the small number of hospitals who serve younger children pand under), special consideration shall be given to applicants serving this age group. Applicants shall specify how patient care will be specialized in order to appropriately care for the chosen patient category.

Response: Although the applicant will primarily serve the population age 65+, care will also be provided to a few patients ages 55-64 who are appropriate for a geropsychiatric unit, generally because of their condition. Summit View Health Management ("SVHM") provides management services for both Summit View of Rocky Top in Anderson County and Summit View of Farragut in Knox County, which are both nursing homes. SVHM plans to provide management services for the applicant.

8. **Services to High-Need Populations**: Special consideration shall be given to applicants providing services fulfilling the unique needs and requirements of certain high-need populations, including patients who are involuntarily committed, uninsured, or low-income.

Response: The applicant plans to serve patients who are involuntarily committed. Because it is a geropsychiatric unit, 98% of the patients are expected to be Medicare patients.

9. Relationship to Existing Applicable Plans; Underserved Area and Populations: The proposal's relationships to underserved geographic areas and underserved population groups shall also be a significant consideration. The impact of the proposal on similar services in the community supported by state appropriations shall be assessed and considered; the applicant's proposal as to whether or not the facility takes voluntary and/or involuntary admissions, and whether the facility serves acute and/or long-term patients, shall also be assessed and considered. The degree of projected financial participation in the Medicare and TennCare programs shall be considered.

Response: The elderly patient population is a fragile patient population that is rapidly growing in the applicant's service area. This project should have no impact on any other provider in the applicant's service area because the limited services that are available are operating at capacity. The applicant plans to accept involuntary admissions. Approximately 98% of its payer mix is expected to be Medicare.

The fact that many of the beds at current area facilities are semi-private is an exacerbating circumstance. The applicant plans 16 semi-private and 2 private beds. While it is generally the most effective and medically appropriate way to provide geropsychiatric services, it is necessary to separate patients by gender, and sometimes by diagnosis, sometimes leaving empty beds that are not available for occupancy. In addition, a smaller number of beds makes complete utilization more challenging. By 2021, demand for geriatric psychiatric beds is expected to increase in part due to a 15% growth rate in the target population in the applicant's service area.

10. Relationship to Existing Similar Services in the Area: The proposal shall discuss what similar services are available in the service area and the trends in occupancy and utilization of those services. This discussion shall also include how the applicant's services may differ from existing services (e.g., specialized treatment of an age-limited group, acceptance of involuntary admissions, and differentiation by payor mix). Accessibility to specific special need groups shall also be discussed in the application.

Response: There are only limited psychiatric services available in the service area, and even fewer dedicated to geropsychiatric services. Ridgeview Psychiatric Hospital and Center, located in Oak Ridge, has a 16 bed psychiatric unit, but it does not treat geropsychiatric patients.

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Methodist Medical Center of Oak Ridge does not have any properties beds. Tennova Healthcare - LaFollete Medical Center, in Campbell County, 12.2 miles away, has a 10 bed psychiatric unit, which treats geriatric patients. Tennova Healthcare in Knox County has 32 adult psychiatric beds, 10 of which are geropsychiatric beds, and Parkwest in Knox County is approximately 20 miles away, and has 16 geropsychiatric beds. The applicant plans to open and operate a geropsychiatric unit with 18 beds. The treatment of adult and geriatric psychiatric patient populations is very different. Facilities which treat the adult patient population are not appropriate for the geriatric patient population and the limited geriatric services available are operating at capacity.

Utilization in the Service Area Geropsychiatric Beds

			2013			2014			2015		
Facility	Beds	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	
Parkwest	16	5,172	14.2	88.6%	5,462	15	93.5%	5,394	14.8	92.5%	
LaFollette	10	3,425	9.4	93.8%	3,350	9.2	91.8%	3,418	9.4	93.6%	
Tennova	10	2,987	8.2	81.8%	3,269	9.0	89.6%	2,794	7.7	76.5%	

Source: Tennessee Department of Health Joint Annual Report of Hospitals: 2013, 2014, 2015.

11. Expansion of Established Facility: Applicants seeking to add beds to an existing facility shall provide documentation detailing the sustainability of the existing facility. This documentation shall include financials, and utilization rates. A facility seeking approval for expansion should have maintained an occupancy rate for all licensed beds of at least 80 percent for the previous year. The HSDA may take into consideration evidence provided by the applicant supporting the need for the expansion or addition of services without the applicant meeting the 80 percent threshold. Additionally, the applicant shall provide evidence that the existing facility was built and operates, in terms of plans, service area, and populations served, in accordance with the original project proposal.

Response: Not applicable.

12. Licensure and Quality Considerations: Any existing applicant for this CON service category shall be in compliance with the appropriate rules of the TDH and/or the TDMHSAS. The applicant shall also demonstrate its accreditation status with the Joint Commission, the Commission on Accreditation of Rehabilitation Facilities (CARF), or other applicable accrediting agency. Such compliance shall provide assurances that applicants are making appropriate accommodations for patients (e.g., for seclusion/restraint of patients who present management problems, and children who need quiet space). Applicants shall also make appropriate accommodations so that patients are separated by gender in regards to sleeping as well as bathing arrangements. Additionally, the applicant shall indicate how it would provide culturally competent services in the service area (e.g., for veterans, the Hispanic population, and LBGT population).

Response: The applicant anticipates it will be licensed by the Department of Mental Health and Substance Abuse Services and accredited by the Joint Commission. The applicant plans to make appropriate accommodations for patients and provide separate sleeping and bathing arrangements based on gender. The applicant will also provide services in accordance with any cultural variations in its patient population.

13. **Institution for Mental Disease Classification**: It shall also be taken into consideration whether the facility is or will be classified as an Institution for Mental Disease (IMD). The criteria and

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formula involve not just the total number of beds, but the aver and the census (ADC) of the inpatient psychiatric beds in relation to the ADC of the facility. When a facility is classified as an IMD, the cost of patient care for Bureau of TennCare enrollees aged 21-64 will be reimbursed using 100 percent state funds, with no matching federal funds provided; consequently, this potential impact shall be addressed in any CON application for inpatient psychiatric beds.

Response: The applicant will focus on geropsychiatric services to patients 65 and older, with only a minimal number of patients covered by TennCare. As such, this criteria should not present a concern, as it is not anticipated that the facility will be classified as an IMD.

14. **Continuum of Care**: Freestanding inpatient psychiatric facilities typically provide only basic acute medical care following admission. This practice has been reinforced by Tenn. Code Ann. § 33-4-104, which requires treatment at a hospital or by a physician for a physical disorder prior to admission if the disorder requires immediate medical care and the admitting facility cannot appropriately provide the medical care. It is essential, whether prior to admission or during admission, that a process be in place to provide for or to allow referral for appropriate and adequate medical care. However, it is not effective, appropriate, or efficient to provide the complete array of medical services in an inpatient psychiatric setting.

Response: The applicant anticipates providing geropsychiatric services only after medical conditions have been treated. In the event a medical condition arises which cannot be treated by its nurse practitioner, it will transfer the patient to the nearest appropriate medical facility.

15. **Data Usage**: The TDH and the TDMHSAS data on the current supply and utilization of licensed and CON-approved psychiatric inpatient beds shall be the data sources employed hereunder, unless otherwise noted. The TDMHSAS and the TDH Division of Health Licensure and Regulation have data on the current number of licensed beds. The applicable TDH JAR provides data on the number of beds in operation. Applicants should utilize data from both sources in order to provide an accurate bed inventory.

Response: The only geropsychiatric beds available in the applicant's 8 county service area includes the 16 geropsychiatric beds at Parkwest, the 10 geropsychiatric beds at Tennova Healthcare and the 10 adult/geropsychiatric beds provided at Tennova - LaFollette Hospital. While there are 16 adult beds at Ridgeview and 23 adult beds at Tennova, these beds are not interchangeable, as the adult patients and the geriatric patients require very different treatment to meet their psychiatric needs. Utilization according to the 2015 JAR was 76.5% for Tennova Healthcare, 92.5% for Parkwest and 93.6% for Tennova LaFollette, indicating limited capacity for additional patients, and frequently no capacity.

16. Adequate Staffing: An applicant shall document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise, and retain the appropriate numbers of qualified personnel to provide the services described in the application and that such personnel are available in the proposed Service Area. Each applicant shall outline planned staffing patterns including the number and type of physicians. Additionally, the applicant shall address what kinds of shifts are intended to be utilized (e.g., 8 hour, 12 hour, or Baylor plan). Each unit is required to be staffed with at least two direct patient care staff, one of which shall be a nurse, at all times. This staffing level is the minimum necessary to provide safe care. The applicant shall state how the proposed staffing plan will lead to quality care of the patient population served by the project. However, when considering applications for expansions of existing facilities, the HSDA may determine whether the existing facility's staff would continue without significant change and thus would be sufficient to meet this standard without a demonstration of efforts to recruit new staff.

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Describe the special needs of the service area population, in accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The expected management entity of the applicant, Summit View Management, Inc., provides services to an elderly population through its management of two nursing homes located in the applicant's service area - Summit View of Rocky Top, in Anderson County, and Summit View of Farragut in Knox County. As such, it is familiar with the health care needs of this population. The demographics of the service area population show that the population age 65 and older is expected to increase 15% between 2017 and 2021. With the exception of Knox, Anderson and Loudon counties, all of the other counties, which are more rural, have a higher percentage of persons below the poverty level than the state average. The median household income is less than the state average in all counties except Knox and Loudon. The median age in the service area is higher than the state in all counties, except Knox.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

Response: Please see table below for utilization for the geropsychiatric beds in the applicant's service area. Utilization has been steady for the past few years, at close to or above 90% for 2 of the 3 facilities. Occupancies this high in bed units as small as these means these units are generally full, with very limited available capacity.

UTILIZATION IN THE SERVICE AREA GEROPSYCHIATRIC BEDS

		2013			2014			2015		
Facility	Beds	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.	Pt. Days	ADC	Occ.
Parkwest	16	5,172	14.2	88.6%	5,462	15	93.5%	5,394	14.8	92.5%
LaFollette	10	3,425	9.4	93.8%	3,350	9.2	91.8%	3,418	9.4	93.6%
Ridgeview	16	3,573	9.8	61.2%	3,640	10.0	62.3%	N/A	N/A	N/A
Tennova	10	2,987	8.2	81.8%	3,269	9.0	89.6%	2,794	7.7	76.5%

Source: Tennessee Department of Health Joint Annual Report of Hospitals 2013, 2014, 2015.

Note: The data for Ridgeview combines utilization for adults 18-64 and geriatrics 65+ as it does not maintain separate geropsychiatric beds.

		2013				2014		2015		
Facility	Age	Adm.	Pt. Days	ALOS	Adm.	Pt. Days	ALOS	Adm.	Pt. Days	ALOS
•	18-64	56	539	9.6	49	648	13.2	45	498	11.1
Parkwest	65+	479	4,633	9.7	507	4,814	9.5	461	4,896	10.6
LaFollette	18-64	56	549	9.8	51	519	10.2	56	523	9.3
	65+	262	2,876	11	263	2,831	10.8	2*	2,895	N/A
5	18-64	712	3,429	4.8	678	3,577	5.3	N/A	N/A	N/A
Ridgeview	65+	25	144	5.8	11	63	5.7	N/A	N/A	N/A
_	18-64	881	5,534	6.3	997	5,703	5.7	957	5,594	5.8
Tennova	65+	309	2,987	9.7	395	3,269	8.3	329	2,794	8.5

Source: Tennessee Department of Health Joint Annual Report of Hospitals 2013, 2014, 2015.

Note: The admissions numbers for LaFollette in 2015 for patients 65+ appear to be reported in error and no data is available for Ridgeview for 2015.

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6. Provide applicable utilization and/or occupancy statistics for your institution and/or occupancy statistics for your institution and/or occupancy statistics for your institution and of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: Since this is a new facility, there is no utilization or occupancy statistics for the past three years. The applicant has projected utilization of 2,300 patient days or 35% occupancy for the first year of operation and 3,650 patient days or 56% occupancy for the second full year of operation, increasing to 70% the third full year of operation. In addition, the population based methodology for psychiatric services for the 65 and older patient population identifies a need for 5.5 beds in 2017 and a need for 11.6 beds in 2021. Since you cannot implement a partial bed, rounding the numbers up means a need for 6 beds in 2017, increasing to 12 beds in 2021. The applicant feels there is a need for at least 18 geropsychiatric beds at its proposed facility, due to the lack of available geropsychiatric beds in the service area, and that the limited beds available are frequently at capacity and unable to accept new patients. As this is a particularly fragile patient population, there is a need to treat them as close to home as possible.

May 30, 2017 2:46 pm

Attachment - Section B - Economic Feasibility, Item 1.E Revised Architect Letter

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May 25, 2017

RE:



ARCHITECTURE PLANNING INTERIOR DESIGN

Successful Clients. Innovative Design.

PARTNERS

Bill Ferguson, AIA Rebecca Conrad, AIA, LEED AP

Scott Dicus, AIA, LEED AP

Daniel Garrigan, AIA Joe Wieronski, AIA, LEED AP BD+C

ASSOCIATES

Derrick Choo, LEED AP

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Linda Smith

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Jim Wilkins, AIA

AFFILIATES

Lee Askew III, FAIA, Partner Emeritus Bill Nixon, Partner Emerit Louis R. Pounders, FAIA

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To Whom It May Concern:

ANF Project No. 17013

I have reviewed the Owner's estimate of \$298,500 for construction costs and believe that this is a reasonable estimate of costs for the proposed work. The Scope of Work involves converting approximately half of one wing of an existing nursing home for use as a mental health hospital. Conversion of the existing resident rooms will involve minimal expense. Most of the expense consists of constructing offices in the the existing Dining/Activities and Physical Therapy spaces. This cost estimate appears adequate to complete this work in accordance with ferderal, state and local codes and ordinances enforced by authorities having jurisdiction including the International Building Code, AIA Guidelines for Design and Construction of Hospital and Helath Care Facilities, the NFPA Life Safety Code, and all other requirements imposed by the licensure authority, the Tennessee Department of Mental Health and Substance Abuse Services.

Please contact me if you have any questions regarding this estimate.

TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

Rocky Top Mental Health Hospital

Thank you for your attention to this matter.

Sincerely,

ANF ARCHITECTS, Inc.

H. Daniel Garrigan, AlA . Partner

Encl: Cost Estimate

Joe Strawn, SHM CC;

File 17013



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Attachment - Section B, Economic Feasibility, Item 5.A Replacement Page 34

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5. A. Please identify the project's average gross charge, average deductional formula average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (Gross Operating Revenue/Utilization Data)	N/A	N/A	\$900	\$900	No Change
Deduction from Revenue (Total Deductions/Utilization Data)	N/A	N/A	\$28.41	\$29.37	3.3%
Average Net Charge (Net Operating Revenue/Utilization Data)	N/A	N/A	\$871.53	\$870.62	-0.1%

B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response: The project is a new facility so there are no current charges to adjust as a result of the implementation of the proposal. The applicant anticipates a gross charge of \$900 in Year One and Year 2 and an average net charge of \$875.

C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: Please note that since this is a new unit, the applicant is unable to compare proposed charges to the Medicare allowable by CPT Code. The information is only available for Parkwest and not for LaFollette.

2015 Comparative Gross Charges in the Service Area For Geriatric Psychiatric Inpatient Care

	Admissions	Patient Days	Gross IP Charges	Avg. Gross Charge Per Day	Avg. Gross Charge Per Admission	Avg. Length of Stay
Parkwest	461	4,896	\$7,621,358	\$1,556.65	\$16,532.23	10.6

A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alphanumeric order and labeled as Attachment C, Economic Feasibility. NOTE: Publicly held entities only need to reference their SEC filings.

Response: The applicant anticipates that projected utilization rates will be sufficient to produce a positive cash flow in Year 1. There are no balance sheet and income statements as this is a new entity. Please see <u>Attachment C, Economic Feasibility</u> for the balance sheet and income statement for Summit View Health Management, Inc., which is the majority owner of the applicant LLC.

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Letters of Support

May 30, 2017 2:46 pm



Knoxville Neurology Specialists, PLLC

May 19, 2017

To Whom It May Concern:

I write this letter in support for the proposed geriatric psych unit in Rocky Top Tennessee. I am currently a practicing neurologist in Knoxville and care for a number of patients with degenerative dementias. At times these patients will have behavior disturbances that precludes them from being managed at home in a safe environment. This requires inpatient services. Currently in the Knoxville area, we only have 2 available facilities that can provide these much needed services. Given the lack of capacity for these units to take these patients. In the past I have had to admit them to a regular hospital and wait on a bed to become available at one of those facilities. It would be in our community's best interest if the proposed additional 18 bed unit proposed by Behavioral Health of Rocky Top be approved.

Sincerely,

Darrell Thomas, MD

501 Twentieth Street, Suite 505 Knoxville, TN 37916 865-546-0157

Fax: 865-546-6144

May 30, 2017 2:46 pm



Emory Family Practice

a division of Summit Medical Group, PLLC

Wes Dean, M.D., FAAFP Ronald P. Barton, M.D. Brad A. Flaming, M.D. Kathy N. Chism, M.D. Nick P. Thornton, M.D. Sherrie Jenkins, MSN, APN-BC Carlie Mullen, MSN, APN-BC

May 23, 2017

To Whom It May Concern:

I have been made aware of a request for certificate of need regarding a geriatric mental health facility that is proposed for Rocky Top, Tennessee. I am a family physician practicing in North Knox County which is definitely in the service area of the proposed facility. There is certainly a paucity of this type of service in the area. I would certainly support the development of Behavioral Health of Rocky Top due to the lack of these services. There are a significant number of primary care providers in this area, especially in North Knox County, that I believe would also benefit from this facility.

Sincerely,

Wesley Dean, M.D., FAAFP

WD/jdc

201 East Emory Road Powell, TN 37849 Phone (865) 938-3627 Fax (865) 938-3647 www.emoryfamilypractice.com

May 30, 2017 2:46 pm



315 Gill Avenue • Knoxville, Tennessee 37917 Tele: (865) 546-7330 • Fax: (865) 546-6643

E-mail: staff@interfaithhealthclinic.org www.interfaithhealthclinic.org

May 23, 2017

Re: Certificate of Need / Behavioral Health of Rocky Top

To Whom It May Concern:

While serving as Executive Director for InterFaith Health Clinic, I have seen many individuals not have access to the care they so desperately need. And, the care their loved ones so desperately want them to have.

We serve a population that access to healthcare is an ongoing struggle to obtain due to a lack of insurance. But, one of the sad situations in our area is that access to in-patient geriatric psychiatric services are so limited, patients with great insurance have trouble getting the care they need. This just complicates the ability to provide access for our uninsured patients.

We hope that you will issue a Certificate of Need for this 18 bed facility. While we are located in Knox County, last year we served individuals from 24 counties. This will align very well with Behavioral Health of Rocky Top. They will be located in Anderson County but will serve patients from the contiguous counties. This includes Knox County.

Again, the need is great. We struggle to provide access to care. Please consider easing this burden. Not to make our jobs easier. But to enhance the lives of those who desperately need this service and the lives of their families.

Sincerely,

Melissa H. Knight

Executive Director





2:46 pm



May 22, 2017

Ms. Melanie Hill **Executive Director** Health Services & Development Agency 502 Deaderick Street Andrew Jackson Building, 9th Floor Nashville, TN 37243

Re: Behavioral Health of Rocky Top, LLC

Certificate of Need Application CN1705-015

Dear Ms. Hill:

As the Social Services Director for Summit View of Farragut, a licensed skilled nursing facility located in the service area of the proposed facility, I am writing today to express my support for the Certificate of Need Application filed by Behavioral Health of Rocky Top, LLC, CN1705-015, seeking the establishment of an inpatient geropsychiatric hospital in Anderson County. Here at Summit View of Farragut, we have experienced considerable difficulty in placing residents in inpatient geropsych beds on a frequent basis. Local inpatient psychiatric services have refused to admit our residents due to a lack of available beds a number of times in the past.

One example of this problem occurred when a male resident of our secure unit began to exhibit troubling behaviors that required medical intervention. A bed was not available to treat him for almost a month. I believe that the addition of more inpatient geropsychiatric beds in the area would go a long way in alleviating problems such as these. In addition, mobile crisis services meant to treat patients suffering from psychiatric issues frequently are unable to aid our residents because of their age. This leads to an even more acute need for inpatient psychiatric services for the geriatric population as compared to the general population of the service area.

A new facility would allow our residents to receive the care they need in a timely manner during a period of crisis. As such, I support the application for establishment of a geropsychiatric mental health hospital, and urge that you approve the Certificate of Need Application filed by Behavioral Health of Rocky Top, CN1705-015.

Sincerely

Lori Greene

Social Services Director Summit View of Farragut

May 30, 2017 2:46 pm



May 22, 2017

Ms. Melanie Hill Executive Director Health Services & Development Agency 502 Deaderick Street Andrew Jackson Building, 9th Floor Nashville, TN 37243

> Re: Behavioral Health of Rocky Top, LLC Certificate of Need Application CN1705-015

Dear Ms. Hill:

As the Director of Nursing Services for Summit View of Rocky Top, a licensed skilled nursing facility located in the same building as the proposed facility, I am writing today to express my support for the Certificate of Need Application filed by Behavioral Health of Rocky Top, LLC, CN1705-015, seeking the establishment of an inpatient geropsychiatric hospital in Anderson County. I have served as the director of nursing at Summit View of Rocky Top for four (4) years, and I am intimately familiar with the high quality of services offered at the skilled nursing facility currently being operated at the applicant's proposed location. We serve our geriatric residents' needs admirably. However, we have had some difficulty in the past in placing residents who are in need of more intensive inpatient psychiatric services, especially in a location that is convenient to our residents and their families.

In the past two months, there have been at least four instances where we have experienced difficulties in obtaining inpatient geropsych services for our residents:

• A female resident was having visual and auditory hallucinations. She was also making vague comments regarding self-harm. We experienced a four-day wait in getting her admitted to a psych unit because there were no available beds. She was placed in the Tennova Healthcare Jamestown unit in Fentress County. This location is approximately 70 miles from our facility.



- A male resident was suffering from behavioral disturbances and hallucinations. We were unable to get him admitted to a psych unit for seven days due to the unavailability of a male bed. He was placed in the Tennova Healthcare Jamestown unit in Fentress County. This location is approximately 70 miles from our facility.
- A female resident was suffering from extreme psychological disturbances and barricaded herself in her room, refusing to allow staff entrance. We experienced a three-day wait in locating an available inpatient psychiatric bed for the resident. During that time period, it was necessary to keep the resident under 24/7 observation due to vague threats of self-harm.
- A female resident was suffering from visual and auditory hallucinations. She needed admission to an inpatient psychiatric unit for evaluation and medication review, but a bed was not available for a period of five days.

The above are just the most recent examples of the unavailability of these vital inpatient services in our area. There have been numerous additional instances of residents needing more focused and specialized inpatient psychiatric services who have struggled to receive these services due to the unavailability of inpatient geropsychiatric beds in the service area. There are very few inpatient beds available as a general matter, and need for specialized inpatient psychiatric services is continuing to grow along with the geriatric population in the area. More bed availability would greatly improve our ability to care for our residents in need of these services and to ensure that they receive vital treatment for their mental health needs.

As such, I support the application for establishment of a geropsychiatric mental health hospital, and urge that you approve the Certificate of Need Application filed by Behavioral Health of Rocky Top, CN1705-015.

Sincerely,

Sheila Ramsey, RN

Director of Nursing Services Summit View of Rocky Top 204 Industrial Park Drive Rocky Top, TN 37769

(P): (865) 426-2147

TDMHSAS Additional Info

Behavioral Health of Rocky Top

CN1705-015



The second secon

Waller Lansden Dortch & Davis, LLP 511 Union Street, Suite 2700 P.O. Box 198966 Nashville, TN 37219-8966

615.244.6380 main 615.244.6804 fax wallerlaw.com

Kim Harvey Looney 615.850.8722 direct kim.looney@wallerlaw.com

June 22, 2017

VIA HAND DELIVERY

Ms. Marthagem Whitlock Tennessee Department of Mental Health & Substance Abuse Services 500 Deaderick Nashville, TN 37243

Re: Behavioral Health of Rocky Top CN1705-015

Dear Marthagem:

This letter is submitted as a response to your email dated June 15, 2017, wherein additional information or clarification was requested regarding the above-referenced CON application.

1. How will the following be addressed and identify on the floor plan as appropriate: physical therapy, pharmacy, medical records, laundry storage, building maintenance, lab, x-ray, admissions? Please provide a list of any support/ancillary services such as these or others that will be contracted and any services that the facility will not address and be referred out.

Response: Please see below:

- a. <u>Physical Therapy</u>: Therapy rooms are labeled on the floor plan. It is anticipated that these will be multi-purpose rooms that can be used for physical therapy, occupational therapy, and/or speech therapy.
- b. <u>Pharmacy</u>: Pharmacy needs will be met by utilizing an off-site pharmacy which will make daily deliveries. In addition, the area labeled MED, next to the nurse's station will have an emergency kit with a variety of medications identified by the Medical Director, that will need to be kept on site to dispense a limited amount after being prescribed, but prior to the prescription being filled by the pharmacy. The area will be securely locked when not in use. The pharmacy will also be available 24/7 in case medication needs to be dispensed urgently and is not available from the emergency kit.
- c. <u>Medical Records</u>: The floor plan also includes several spaces that are labelled as offices. One of these will be used for any paper medical records, which will be secured appropriately, although it is anticipated that the records will be primarily electronic.
 - d. Laundry Storage: The area labeled STOR is laundry storage.
 - e. Building Maintenance: Maintenance will be provided by contract with the landlord.
 - f. Lab: Laboratory services will be performed off-site through a contracted service.

Marthagem Whitlock June 22, 2017 Page 2

- g. <u>X-Ray</u>: A mobile X-Ray machine will be available 24/7 within 4 hours. If an X-Ray needs to be performed more urgently, the mobile service will be at the hospital in less than one hour.
 - h. Admissions: Admissions will be performed in one of the spaces labelled as office.

In addition to the services mentioned above, as described in the CON application, the medical director and nurse practitioner services will be provided under contract. The applicant has discussed the medical director position with Glenn R. Peterson, M.D. Dr. Peterson is very interested in providing services as the medical director, as well as supervising the nurse practitioners who will be providing services. Dr. Peterson has been in private practice for 30 years, specializing in the treatment of anxiety disorders and geriatric services. His experience includes providing psychiatric and/or substance abuse services for Peninsula Hospital, Ridgeview Hospital, St. Mary's and Divine Providence Hospital Community Mental Health Center.

2. What are the specific renovations proposed for the floor plan including those in patient rooms and office space? Please also address ADA compliance and specific renovations to accommodate a geriatric population with ambulatory and other physical challenges.

Response: The space is already ADA compliant and was built to handle the needs of an elderly population as it was built for use as a skilled nursing facility. As such, the buildout was also completed in compliance with life safety codes. Joe Strawn, the Applicant's Project & Maintenance Director, has engaged with the project design, construction oversight, and daily supervision of numerous healthcare properties in the past, including mental health hospitals, for his former employer, Tennessee Health Management. Specifically, Mr. Strawn was involved with the design and construction of Behavioral Healthcare of Clarksville, Huntsville, and Columbia; he also oversaw the design of Behavioral Healthcare of Memphis. Mr. Strawn also oversaw renovations for Behavioral Healthcare of Martin. All five of these facilities are approved and licensed inpatient geropsychiatric facilities, with anywhere from 16 to 26 beds.

A brief description of the specific proposed renovations is as follows:

- 1. Build and install partition walls in the administration area as well as the conference/consultation rooms.
- 2. Install a secured 20 x 20 outside area off the dining room.
- 3. Remove corridor wall at new nurses station and install secured appropriate mill work.
- 4. Install a double egress, cross corridor door unit for separation from the long term care units.
- 5. Patient rooms:
 - a. Install vandal proof locking WC lids
 - b. Install vandal proof piping cover on all wall hung lavatories
 - c. Install breakaway systems for cubicle and window curtains
 - d. Secure all mill work to the structure for safety
 - e. Install locks and in use covers on all PTACs
 - f. Replacing all over bed lighting controls with Mental Health approved apparatuses

Marthagem Whitlock June 22, 2017 Page 3

g. Install covers on all receptacles in patient areas

This is not intended to be an all-inclusive list, but to provide information on the more comprehensive renovations. The main objective in completing the renovations is to ensure the safety of each and every patient.

The applicant visited Behavioral Healthcare of Columbia in order to familiarize itself with this type of hospital. In addition, the applicant has a letter of intent from Horizon Health indicating its desire to provide assistance with the development of policies and procedures necessary to operate the geropsychiatric beds (copy attached). Horizon is an industry leader in the implementation and management of behavioral health programs.

3. Are there other CONs approved but unimplemented in the service area?

Response: There are no other approved but unimplemented CONs in the applicant's service area.

4. What other alternatives to this project were explored?

Response: The applicant is aware from both Summit View of Rocky Top and Summit View of Farragut that it is not unusual to wait 4-10 days to find placement for geriatric services for its nursing home residents, with a 6-7 day wait being typical. Such a delay in treatment is difficult on this fragile elderly population, and can exacerbate the condition or prolong treatment time. Thus, not adding any beds to provide these services was rejected as an option. A separate, new facility could be constructed, as has been done for several facilities that share a campus with a nursing home. Two such facilities are the Behavioral Healthcare Center at Columbia and the Behavioral Healthcare Center at Clarksville. However, that alternative was rejected as being inefficient from a cost standpoint. As the nursing home from which it will lease space has available space, the most cost effective and efficient way to provide the services proposed by the applicant is for it to lease some of the underutilized space from the nursing home and establish the facility in that space.

5. The application indicates an intent to admit patients on an involuntary basis and that McNabb would complete the CON. McNabb can complete the first of two CONs required for involuntary admissions. The second certificate of need required must be completed by a physician at the admitting facility in order to admit. Please address this process.

Response: The applicant is familiar with the processes for involuntary commitments outlined at Tennessee Code Annotated §§ 33-6-401 *et seq.* & 33-6-501 *et. seq.* In order to meet the requirements for non-emergency involuntary commitment at Tennessee Code Annotated § 33-6-503 requiring two certificates of need for care and treatment, the first CON will be issued by a Mobile Crisis Services team either from McNabb or Ridgeview Hospital, and the second certification will be issued upon a finding of necessity by the applicant's own medical director.

Marthagem Whitlock June 22, 2017 Page 4

6. The application indicates admission for people under 65 years of age if the person is 55-64 and "medically appropriate." Please explain including your projection of these numbers.

Response: Perhaps the most common reason that someone younger than 65 could be admitted to the proposed behavioral health facility would be the early onset of dementia. In addition, residents of the nursing home with TBI, MS, or CP, who are younger than 65, may need the services offered by the proposed behavioral health facility. The applicant did not include anyone in this age category in projecting the number of beds needed as this age group will likely make up a very small portion of applicant's patient mix. The applicant wanted to ensure that it was not limited by age to the patients served, but to their conditions and appropriateness for a geropsychiatric unit.

7. Application indicates that the management company will provide recruitment assistance. However, that does not appear to be in the management agreement. Please address how recruitment will be handled.

Response: Exhibit A to the Administrative Services Agreement, pursuant to which management services are provided, indicates that the company will make its human resources department available at the request of the facility. The applicant anticipates utilizing the company's human resources expertise to assist with recruitment.

8. Staffing: Supplemental #1, Item 10 indicates that the applicant will use a geropsychiatric nurse practitioner to offer interventional services at other facilities to ensure that risk factors leading to increased inpatient psychiatric bed usage are appropriately addressed. Please identify where this fits into the staffing pattern, whether it is a full time position, percentage of service time, contract or employee, salary level.

Response: The applicant plans to contract with nurse practitioners to provide assessment services. They will be nurse practitioners who have experience with both psychiatric services and the geriatric patient population, but will not necessarily be board-certified as geropsychiatric nurse practitioners. They are not included in the staffing pattern because the applicant will contract with a company that will employ and provide such personnel. The contracted nurse practitioners will be available for a set number of hours per day and then oncall at other times so that availability is 24/7. The amount of time the nurse practitioners are on-site versus the amount of time they will be on-call will be based on the population at the facility at the time. The nurse practitioners will bill Medicare independently for the services provided.

9. Staffing: office space for a DON is listed on the floor plan but not on the list for clinical staff. Please explain. Who will be responsible for QI activities and pharmacy?

Response: The DON is listed under the staffing section for non-patient care because the DON is not providing direct patient care. The DON will be responsible for QI activities. Pharmacy services will be contracted out.

Marthagem Whitlock June 22, 2017 Page 5

10. Staffing: Please submit salary for each type of clinical position.

Response: Please see staffing chart on page 36 of the original application which identifies the positions by FTE as well as the average wage compared to the areawide/statewide average wage.

11. The application states that "the elderly exhibit psychiatric disorders or issues at higher rate than younger population cohort" as support for the 30 beds per 100,000 populations rate underestimation of need. What is your source? How does that influence when the need is calculated on estimation of population 65+?

Response: The 30 beds per 100,000 population formula currently utilized to calculate the need for inpatient psychiatric beds is widely considered to be outdated and to underestimate need for the general population and for geriatric populations specifically. This formula has not been updated since 1990, and with the changes that have occurred in the past 27 years in demographics, psychiatric treatment, and healthcare services and facilities, the formula is possibly in need of reconsideration.

Your Department has acknowledged in previous summaries of certificate of need applications that the need formula may result in an underestimation of the number of inpatient psychiatric beds needed due to the impact of other factors on bed utilization, including: the willingness of the provider to accept involuntary admissions; the extent to which the provider serves the TennCare population and/or indigent population; and the number of beds designated as "specialty" beds. While these factors apply to all inpatient psychiatric services, it stands to reason that they are particularly applicable to the geriatric population, which requires specialized services and generally has fewer licensed beds serving a particular geographic area than the number of beds serving the adult population generally.

A number of sources also acknowledge the fact that the elderly population suffers from a higher prevalence of certain psychiatric disorders than the general population. For example, the National Institute of Mental Health reviewed four major diagnosis groups to determine age related prevalence: Schizophrenia, Bipolar Disease, Depression, and Dementia with Alzheimer's. Of the general adult population (18-64) 13% suffered from at least one of these four mental illnesses. In comparison, 28% of the Senior (ages 65+) suffered from one or more of these diagnoses. Other bodies that have found a higher incidence of certain psychiatric disorders in the geriatric population as compared to other adults include The British Journal of Psychiatry.

The World Health Organization recognizes that older people face special physical and mental health challenges which need to be addressed. Mental health problems have a tendency to be under-identified by health care professionals as well as the older people. The elderly may also be reluctant to seek help. Education, training and support by the applicant should assist in the process of recognition of mental health disorders and their subsequent treatment. When an older adult loses their ability to live independently because of limited mobility, chronic pain, frailty or other mental or physical problems, this, along with events such as bereavement, a drop in socioeconomic status, or a disability, all contribute to isolation, loss of independence, loneliness and psychological distress in older people. It is important that these services be

Marthagem Whitlock June 22, 2017 Page 6

available close to home because there may be great stress caused to families because of physical, emotional and economic pressures. Effective, community-level primary mental health care for older people is crucial.

All of the above, along with other factors discussed in the application and supplemental responses, support the reasonable inference that mechanically applying the 30 beds per 100,000 population formula to determine the number of geropsychiatric inpatient beds needed in a given area probably does not present a full picture of need, and in fact underestimates the number of beds needed in a given service area. The fact that the formula may underestimate the number of beds needed in a given service area means that perhaps there are more beds needed than can be supported by strictly applying the formula. Additional letters of support for the project have been received and are included with this letter.

Please contact me if you have any questions or need additional information or clarification.

Sincerely,

Kim Harvey Looney

KHL:lag Enclosures

cc: Phillip M. Earhart, HSDA

Genesis

June 1, 2017

To Whom It May Concern:

I am the Center Executive Director at Willow Ridge Center, a 77 bed skilled nursing facility that serves primarily geriatric patients. Many of these have mental health illnesses. Although there are some in-patient facilities in the area for this population, I believe there is a need for additional resources. We often seek placement and there is no bed available at the time of need. The proposed 18 bed facility in Rocky Top, TN would certainly be useful for these patients. I am writing this letter to express support for this proposed geriatric psych unit and the services it will provide to residents in the area. This underserved population could greatly benefit from Behavioral Health of Rocky Top. Thank you for your time.

Sincerely,

Rebecca Mills

Center Executive Director

JEFFERSON COUNTY NURSING HOME 914 INDUSTRIAL PARK ROAD DANDRIDGE, TN 37725 TEL. (865) 397-3163 FAX (865) 471-5832

June 14, 2017

Tennessee Health Services and Development Agency Melanie M. Hill, Executive Director 502 Deaderick Street, Andrew Jackson Bldg., 9th Floor Nashville, TN 37243

RE: LETTER OF SUPPORT FOR BEHAVIORAL HEALTH OF ROCKY TOP

Dear Ms. Hill,

I am writing to you to express support for the upcoming project Behavioral Health of Rocky Top. As a skilled nursing facility operator, I understand the difficulties in locating available geropsych beds when needed. There is a very high demand for this service which I feel has too few beds available. I can only see the demand continuing to rise as more people will be requiring this service due to the "Aging Tsunami" which will affect our industry soon.

Granting approval of this project will be a "win-win" for senior services in this area and will be congruent with the orderly development of healthcare within our state.

If I can answer any questions, please do not hesitate to contact me.

Sincerely,

Roga L.

Roger L. Mynatt, Administrator



June 20, 2017

Ronald E. Lawrence Chief Executive Officer Summit View Health Management 10805 Harding Drive Knoxville, TN 37932

Re: Letter of Interest

Dear Mr. Lawrence:

As a result of recent discussions, this letter confirms the desire of Horizon Mental Health Management, LLC, d/b/a Horizon Health Behavioral Health Services, a Texas Corporation ("Horizon") to assist Summit View Health Management, a Tennessee Corporation, ("Summit View") with development of policies and procedures for an 18-bed inpatient psychiatric program which would specialize in the treatment of elderly patients age 65 years and older (the "Program). Horizon's intent would be to provide such assistance following Summit View's receipt of Certificate of Need approval for the Program.

Horizon is the industry leader in the implementation and management of behavioral health programs and employs some of the most experienced clinical, operational, financial, and marketing personnel qualified to develop policies and procedures for behavioral health programs. Horizon brings 35 years of experience and expertise to this endeavor.

I look forward to hearing from you in the near future as you pursue this exciting opportunity to provide behavioral health services to the Rocky Top community.

Sincerely,

John F. DeVaney

President



2945 Maynardville Hwy, Suite 3 Maynardville, TN 37807 Phone: (865) 745-1258 Fax: (865) 745-1276

6-20-2017

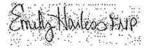
To Whom It May Concern:

My name is Emily Harless and I am a nurse practitioner and President of Reliant Family Health in Maynardville, TN. I have been in healthcare for over 15 years and have seen an array of illnesses and conditions that often require in-patient treatment. Among these conditions include psychiatric illness within the geriatric population. Unfortunately, there are often not enough beds to accommodate these patients at existing facilities in the area. I would like to express the desire and support for the proposed facility in Rocky Top, TN.

Behavioral Health of Rocky Top could serve many in our area that would perhaps be without such critical care otherwise. I believe it would be in the best interest of the patients if this facility is approved for in-patient treatment. Please feel free to contact me with any questions.

Sincerely,

Emily Harless, FNP-BC



GLENN R. PETERSON, M.D.

9301 B Parkwest Blvd. Knoxville, TN 37923 Phone: 865-694-9391 Fax: 865-694-7780

June 19, 2017

To Whom It May Concern:

I am supportive of the geropsych unit, Behavioral Health of Rocky Top. I am, in fact, in discussions with them regarding providing services as a Medical Director and Supervisor for the Nurse Practitioners contracted there.

I have been the Medical Director at Peninsula Outpatient and Director of their Senior Day Geropsych Program, Ridgeview Hospital, St. Mary's Addiction Unit, and Divine Providence Hospital Community Mental Health Center. I have also been in private practice since October, 1987, specializing in the treatment of anxiety disorders and geriatric services.

I am extremely interested in this position and I am anxious to further negotiations as the project progresses.

Sincerely,

Glenn R. Peterson, M.D.

Psychiatrist

dcw